

Towards Understanding Consumer Processing of Negative Word-of-Mouth Communication: The Roles of Opinion Agreement and Organizational Response

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ABSTRACT

The proliferation of the Internet has given birth to a number of complaint Web Sites where dissatisfied and frustrated consumers can easily articulate their opinions and comments on products, services, or companies. Online consumer reviews can have strong effects on consumers' evaluations in addition to product attribute information, especially when they are negative. Many organizations struggle with the question how to deal with online forums that discuss their products and services. Nevertheless, little attention has been directed to identifying the influence of online complaint on potential consumers' behaviors as well as the influence of corporate response strategies to online complaints. In an attempt to bridge this gap, this study examines the process by which consumers integrate online complaint messages and attribute information into their service evaluations and how consensus in messages affects this process. Additionally, it will examine how a company's response strategies to online complaints affect the perception of potential consumers on attribution as well as their evaluations about the company's service.

Keywords: *online consumer reviews, opinion consensus, corporate response strategies.*

INTRODUCTION

This study seeks to understand the process by which consumers integrate online critic opinions and assimilate information (i.e., electronic negative word-of-mouth communication) into their service evaluations and subsequent purchasing decisions. The study also will examine how critic consensus and organizational responses to critic opinions affect this process. This is an increasingly important research area because as the Internet and other information technologies have become a central platform for consumers' daily activities, very large amounts of negative information about brands and companies have been generated and have become widely prevalent in the marketplace. The resulting negative impact on profitability has become devastating, especially in the hospitality industry. Nevertheless, there has been limited systematic academic and practical investigation into how consumers process negative information about the brands they like, and further translate it into attitude change. This research intends to start a theory-based stream of research addressing these issues. Based on this theoretical understanding

of how consumers process negative information, we aim to develop organizational strategies for handling negative information.

Prior research suggests that negative word of mouth (NWOM) has a significant detrimental effect on a company's image, reputation, and sales (Herr et al., 1991). Never has this NWOM effect been as powerful as it is today. The expansion of the Internet has created a platform for broadcasting virtual opinions (or electronic WOM (eWOM) communication) to consumers, and for incrementally disseminating eWOM to a wider array of people (Hennig-Thurau et al., 2004). Given the increasing possibility of consumers being exposed to negative eWOM about a company and its offerings, and the potential devastation it can have on a company's reputation, market share, and profitability, it is very important to understand the following questions: How do consumers process NWOM and react to it? To what extent does NWOM damage positive attitudes towards a company and its offerings and purchasing confidence? How should a company respond to NWOM in order to preserve its reputation?

SIGNIFICANCE AND IMPLICATION OF STUDY

Addressing these questions bridges research gaps that have not been adequately addressed regarding consumer behavior. First, although prior research has emphasized the impact of negative information about a company and its offerings on consumer purchasing decisions and company sales (Chevalier & Mayzlin, 2006), few have attempted to identify the process by which consumers integrate negative information into product evaluation. Literature in public relations and publicity has addressed this issue to some extent, and a "negativity effect" has been discovered (e.g., Ahluwalia, Burnkrant, & Unnava, 2000). That is, when presented with both positive and negative information during the evaluation process, consumers place more weight on the negative than the positive and shift their attitudes in the negative direction. Herr et al. (1991) argue that this effect may arise because consumers find the negative information to be more diagnostic, useful, and informative than the positive information for categorizing targets into evaluative categories, and because positive or less negative information is commonly provided for all products, including those of high-, average-, and low-quality (Skowronski & Carlston, 1987). However, the question that needs to be addressed is whether the negativity effect found in the context of negative publicity can be also observed in the context of WOM communication. Although some consumer WOM researchers have found a stronger influence of NWOM on consumer brand evaluation (Ahluwalia, 2002) and on the purchase intentions of prospective consumers (Park & Lee, 2009), it has been tested in conditions where consumers are given either positive or negative WOM, but not a mixture of both. This research will examine the negativity effect when a combination of positive and negative WOM is provided by manipulating the proportion of NWOM.

Second, the Internet has created an online WOM platform where consumers share their opinions with other unknown customers. Compared to traditional face-to-face WOM communication, the online WOM platform has unique characteristics that may influence the way consumers process WOM and make purchasing decisions (Lee, Park, & Han, 2008). For example, the online consumer review forum enables consumers to view both positive and negative WOM simultaneously from various sources. In addition, given that online consumer reviews are written and accumulated in the collection, they are measurable. That is, consumers

are easily able to count the number of positive and negative opinions and evaluate the quality of products/service. These features of online WOM have opened a new research venue: opinion consensus and conformity effect. Current study pursues this research area by examining the effect of the proportion of NWOM regarding a company's service on the consumer evaluation process and purchasing decisions in an online WOM communication environment.

Third, few studies have been interested in how organizations should handle negative information. In service failure and recovery literature, organizational responses to negative situations (i.e., service failures and customer complaints) have gained a lot of attention as potential recovery strategies have been developed to soothe dissatisfied customers and prevent further negative consequences such as NWOM and switching behavior. However, work investigating how an organization's response to NWOM influences potential customers while evaluating a company and deciding to purchase its product or service has been very limited. Recognizing the influence of WOM is important to marketing decisions regarding customer service, especially in regard to justifying expenditures on complaint handling, customer retention, and service recovery, as well as preventing potential customers from choosing other alternatives. Thus, this study seeks evidence of whether the organizational response to NWOM has a significant effect on the attitudes and purchasing probability of potential consumers. Specifically, we would like to know whether responding to an online review is more effective than not responding to it. And, if organizations choose to respond online to negative reviews, what constitutes an appropriate and effective response?

This research has both academic and practical contributions. First, it proposes a model that facilitates an understanding of causal attribution in the online context by examining complaint messages as well as responses from both consumers and companies. Second, it explores the primary response strategies of a company to protect its reputation from online complaints. Third, it provides a way of furthering an empirical test of the relationship between online complaints and corporate responses from an observer's perspective.

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