

Chapter 10

Consumer Reviews on Retail Websites: A Marketing and Social Phenomenon

Sung-Yeon Park

University of Wisconsin-Madison, USA & Bowling Green State University, USA

Gi Woong Yun

University of Wisconsin-Madison, USA & Bowling Green State University, USA

ABSTRACT

Consumer reviews on retail websites are now established as a common type of user-generated marketing communication online. To provide a comprehensive and well-defined framework for researchers and marketers who are interested in its implementation and evaluation, a synthetic review of existing studies on the consumer reviews are conducted here. More specifically, the prevalence and popularity of consumer reviews of retail websites, the motivations behind the review activities, and the effects are examined in detail. Three important message characteristics of the reviews - volume, valence, and value - are also identified and discussed. After this assessment of the current status is completed, the focus is shifted to a more existential question about the consumer reviews: Whether the reviews posted by consumers are essentially “commons,” an entity created by members of a wide open community and amendable to exploitation by consumers and marketers alike, or “intellectual properties” of the online retailers who collect and manage them. Subsequently, a view that regards the consumer reviews as social capital is presented, followed by a discussion concerning moderation and reputation systems as quality control mechanisms.

INTRODUCTION

Consumer reviews on retail websites are now established as a common type of user-generated marketing communication online. Most major online retailers have adopted the review features

on their websites and consumers often name the reviews as the most desired element on retail websites. Some consumers even consult the online reviews before going out to buy products in brick-and mortar stores.

In spite of their high values for consumers and marketers alike, however, consumer reviews on retail websites have not been studied well.

DOI: 10.4018/978-1-60566-792-8.ch010

Although the unique form of user-generated content has received some attention from both industry analysts and academic researchers, the investigations have not provided a comprehensive and yet well-defined framework for researchers and marketers who are interested in its implementation and evaluation. Market reports have often been too narrowly focused on the impact of consumer reviews on purchase decisions, whereas most academic studies have shown interest in consumer reviews on retail websites only as part of online word of mouth (WOM), which includes communications taking place in other online consumer platforms such as discussion forums, chat rooms, electronic mailing lists, Weblogs, instant messages, and personal emails. Consumer reviews on retail websites are also differentiated from consumer reviews on such sites as *epinion.com* and *Angie's list*. These review sites base their existence on independent and unbiased information about products and services and thus no known connection to commercial interests such as online retailers is crucial for their credibility. On the other hand, consumer reviews on retail websites serve a similar function in spite of their obvious relationship to the retailers who will be directly affected by the reviews.

Indeed, it is important to understand the influence of retail website consumer reviews on purchase decisions. Consumer reviews on retail websites are also similar to other consumer-generated online information in terms of the functional characteristics and features. At the same time, consumer reviews on retail websites merit a more focused and systematic inquiry into the communication phenomenon itself. Out in the field, consumer review features have rapidly evolved due to the developments in technology to accommodate well structured databases, user-friendly interfaces, and various recommendation or reputation systems. The availability and affordability of the review function implementa-

tion services, in turn, enabled online retailers to adopt the features easily. Furthermore, the expansion of global information networks has facilitated cross-national connectivity, and the social network aspect of the Internet has imbued social and cultural significance to this new form of consumer-to-consumer communication.

Therefore, it is very timely to assess the current status of research on consumer reviews on retail websites and raise some important issues that have been overlooked by practitioners as well as researchers. To achieve this overarching goal, the first part of this chapter will be devoted to a synthetic review of existing studies on the consumer reviews. More specifically, the prevalence and popularity of consumer reviews on retail websites, the motivations for consumer reviewers, and the marketing effects of the reviews will be examined in detail. Three important message characteristics of the reviews – volume, valence, and value – that affect consumer attitudes and behaviors will be also identified and discussed, followed by a cautionary note on ethical issues related to consumer reviews.

After completing these tasks, in the second part, we will turn the readers' attention to a more fundamental question of whether the consumer reviews are commons shared by all the participants or the properties of the online retailers. Subsequently, we will present a view that regards the consumer reviews as social capital and also discuss moderation and reputation systems as quality control mechanisms. Although this second part may not seem as tactically important to marketers as the first part of this chapter, understanding this debate will strengthen their strategic position in implementing and managing consumer reviews on their websites. It is hoped that the commons vs. property debate will also attract some interest from researchers who study various user-generated content on the Web.

Prevalence and Popularity of Consumer Reviews on Retail Websites

From the early days of the online retail industry, a few marketers encouraged customers to rate and/or comment on products sold on their websites. For instance, *Amazon.com* integrated consumer reviews as an essential tool of its marketing communication with the launch of the website. Across all their product offerings, the online retailer displayed consumer reviews in addition to their expert reviews and expanded the review options over time. On the other hand, the practice was not fully embraced by the vast majority of US online retailers until recently. By 2004, only 16% of 100 leading US online retailers were found to have adopted some form of consumer review feature (Yun, Park, & Ha, 2008). The reluctance on the part of online retailers was understandable, considering the many potential management problems and ensuing costs.

Today, however, it appears that consumer reviews on retail websites have become more widely available. According to an industry statistic, one third of the top 300 retail websites have consumer review features. An industry analyst also predicted that every major e-commerce site will have some form of review system within a year (Sullivan, Feb. 15, 2008). A quick visit to popular retail websites such as *Walmart.com* and *Sears.com* also validates this prediction. These heavy-weight mass merchandisers, who used not to have any consumer review feature in 2004, have now fully adopted the practice. Furthermore, some marketers like *Petco* reportedly utilized consumer reviews to enhance their official marketing messages by incorporating them into outbound emails to their loyal customers (Magill, March 1, 2006).

Typically, a consumer review feature is clearly marked by a heading “Customer/Guest Reviews” and comprised of an open-ended commenting function and a rating function. The former usually presents a text box to customers to write a review

about the featured product while the latter asks customers to rate the item on a 4 or 5-point scale. While virtually all consumer reviews on retail websites are located on the bottom of a product page, many retail websites also display the average score of customer ratings and a hyperlink to the open-ended customer reviews on the top of the page.

Some review features also include multi-attribute ratings. For example, *Zappos.com*, an online fashion clothing/accessories retailer, asks customers to rate their products on the specific dimensions of “Comfort” and “Look,” in addition to the overall rating commonly found on retail websites. In the consumer electronics category, *Dell.com* uses the three criteria of quality, features, and values. Still, *Amazon.com* is considered a leader in the innovation of consumer review features. In addition to the standard text reviews, the website encourages multi-modality reviews such as video and audio. Recently, the online marketer also created a discussion forum on each product page to facilitate more free discussion about the featured product amongst its customers. Although not as sophisticated as *Amazon.com*, consumer review features on *Walmart.com* are also notable because of the quick shift from having no review feature in 2004 to being equipped with a set of detailed questions by the summer of 2007. Besides the standard rating and open-ended comments, consumer reviewers on *Walmart.com* can rate the product on the attributes of “Value for price paid” and “Meets expectations.” They can also provide a summative evaluation by choosing between “recommend” and “don’t recommend.” Furthermore, the review features solicit from the reviewers information about the age and gender of the buyers, the duration of owning the product reviewed, and the frequency of product usage, which enables a more thorough evaluation of the consumer review as well as the product.

While this rapid and widespread adoption of consumer review features by online retailers may be one indicator of their popularity, industry

reports directly support the view that consumer reviews are widely accepted and utilized by online shoppers. Consumers actively look for review features when they navigate websites to purchase products online. In one report, 75% of online shoppers said that it is extremely or very important to read customer reviews before making a purchase (Creamer, July 23, 2007). Consistent with this report, approximately two thirds of consumers actually read consumer-generated product reviews online, and more than 80% of readers said that the reviews directly impacted their purchase decisions. (Sullivan, February 15, 2008).

Amongst various sources of product and service information, peer reviews were preferred over expert reviews by a margin of 6-to-1 (Creamer, July 23, 2007) and trusted more than television and radio advertising (Sullivan, February 15, 2008). These mostly positive views on consumer reviews were reiterated in academic studies as well. Peer consumers were evaluated to be more trustworthy than either human experts who review various products for retail websites or expert systems that make recommendations based on consumer profile data (Senecal & Nantel, 2004).

Motivations for Consumer Reviewers

While the findings above clearly illustrate that consumer reviews are highly valued and respected by online shoppers, they do not explain the motivation to participate in the review process which takes some time and effort to create the review content. In most cases, a reviewer also has to surrender personal information to register and log-in before submitting a review. On some retail websites, it is not very difficult to find consumer-provided product images and extensive video clips offering tips on how to use the products. Considering the fact that these activities are completely voluntary and rarely rewarded financially, these high-effort consumer review activities can be quite puzzling without understanding the motivations behind them.

One way to find out why people post product reviews on retail websites is to survey individuals. Although there is no published study that posed the exact question, Hennig-Thurau and his colleagues investigated consumer motivations for sharing opinions on goods and services on consumer online platforms such as *epinions.com*. In the study (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004), the researchers identified eight motivations for consumer reviewers: venting negative feelings, concern for other consumers, social benefits (“chat among like-minded people is a nice thing,” “fun to communicate this way with other people in the community,” “meet nice people this way”), economic incentives, helping the company, advice seeking, platform assistance (“believe the platform operator knows the person in charge within the company and will convey my message,” “the platform operator will stand up for me when speaking to the company,” “has more power together with others than writing a single letter of complaint”), and extraversion/positive self-enhancement (“my contributions show others that I am a clever customer,” “express my joy about a good buy,” “feel good when telling others about my buying success”). In subsequent analyses, the researchers also revealed that social benefits, concern for other consumers, extraversion/positive self-enhancement, and economic incentives were related to the online platform visit and comment writing frequencies.

Since retail websites are different from the consumer community websites, this finding may not be directly relevant to the motivations of consumer reviewers on retail websites. In particular, the social benefits and economic incentives motivations are deemed irrelevant to consumer reviewers on many retail websites because the consumers are unlikely to consider the retail sites as a community and also online retailers in the US do not provide financial incentives for consumer reviews (Yun, Park, & Ha, 2008). The rest of the aforementioned motivations, however, appear to be as relevant to retail websites as they are to

the online consumer-opinion platforms. Also, it should be noted that *Amazon.com* has made efforts to make the social benefits motivation relevant to its users by creating a consumer review discussion forum on many of its product pages.

If they want, online retailers could also motivate consumers to write reviews by providing economic incentives. However, doing so will have serious ramifications for the whole review system. First, the presence of a financial incentive may cast a serious doubt on the validity of the reviews. Second, being offered a financial reward, consumers may feel obligated to return the favor by posting positive reviews or understate their dissatisfaction with the product. Third, some consumers may regard the financial reward as an insult to their benevolent intention and feel discouraged rather than encouraged to submit a review.

Indeed, there is an economic psychological theory called “motivation crowding theory” that exactly predicts this scenario (Frey & Jegen, 2001). The theory is based on the assumption that there are two types of motivations for human behaviors: extrinsic vs. intrinsic. Intrinsic motivations stem from an innate desire for pleasure or personal satisfaction whereas extrinsic motivations are imposed on individuals from the outside in the form of either offers of reward or punishment for noncompliance. When either the reward or punishment is present, the extrinsic motivation “crowds out” or replaces the intrinsic motivations because it impairs self-determination or self-esteem. Because this theory has not yet been tested in the context of consumer reviews on retail websites, its applicability remains to be seen. But, this is a research topic that will be theoretically meaningful and practically helpful. In the meantime, marketers will be prudent to be mindful about this possibility and adopt strategies that address their weaknesses without jeopardizing current strengths.

Marketing Benefits of Consumer Reviews on Retail Websites

Increased Sales

Available evidence suggests a strong influence of online consumer opinions on purchase decisions. An experiment demonstrated that, in comparison with recommendations made by other sources such as human experts and expert systems, recommendations by peer consumers were more effective in swaying the final product choice (Smith, Menon, & Sivakumar, 2005). Consumer reviews and ratings were often quoted as the functionality consumers want most on retail websites. A majority of online consumers (63%) responded that they were more likely to buy from sites with ratings and reviews (Burke, May 1, 2008). A survey revealed that, especially for first-time buyers, consumer reviews on retail websites were effective in turning them from browsers to actual buyers (Freed, March 1, 2007). An analysis of book sales data from *Amazon.com* also reported a consistent finding: The number of consumer reviews was a positive predictor of sales rank (Li & Hitt, in press).

Customer Satisfaction and Loyalty

Aside from the increased sales, cultivation of customer satisfaction and loyalty can be a distinct purpose of consumer review features. In a survey (Freed, March 1, 2007), consumer product reviews were found to increase customer satisfaction and loyalty. Retail websites with consumer review features scored consistently higher than the ones without the features in terms of customer satisfaction with the website and the retailer. The likelihood of return was also higher for consumers who visited an online retailer featuring consumer reviews. In terms of post-purchase satisfaction and site loyalty among people who made a purchase on retail websites, consumer reviews increased

post-purchase satisfaction and site loyalty as much as by 21% and 18%, respectively. A model based on a large set of online customer data also confirmed that community features including consumer reviews had a significant impact on customer loyalty to online retailers (Srinivasan, Anderson, & Ponnayolu, 2002).

Increased Traffic and Time Spent on the Website

Since consumer reviews have become a standard feature on many retail websites, some people surf a number of retail websites solely for the purpose of reading consumer reviews in them. Once consumers come into a retail website, they are also likely to spend more time there if the website has the consumer review features because it takes a significant amount of time to read and weigh consumer reviews for the product of interest. In addition, some reviews can lead consumers to other product pages that also have a set of reviews.

Besides its potential to generate sales, website traffic has also emerged as a yardstick of marketing success on its own due to its ability to generate revenues. Many retail websites are now linked to other online retailers. When a consumer on a retail website clicks on a link to another retail website and makes a purchase on that linked website, the original retail website receives a commission. A heavy traffic on a retail website can also turn into financial revenue when the website has the *Google AdSense* style advertising network sections because the website is paid every time a consumer clicks through the *AdSense* links.

4. Boost in Search-Engine Rankings

One big difference between online and offline retailing is that online shoppers can afford to be more flexible about where to shop than offline shoppers. In traditional retail shopping, the choice

of store often precedes the choice of products. In other words, a decision on the type of store and its location is an important part of planning and consumers sometimes adjust their shopping list based on product availability within the store that they are already in. Online shoppers, on the other hand, can start from a product and then choose among many retail websites that carry the exact product. In this scenario, it is extremely important that a retail website has a high ranking on popular search engine results.

Because consumer reviews add a lot of data to retail websites that can be indexed by major search engines, it can improve the standing of an online retailer on the list of websites generated from a keyword search and thus can increase the number of unique visitors. Consumer reviews are also more effective in boosting the rankings than other marketer-generated product information because unique content such as the reviews are usually regarded more favorably by search engines (Creamer, July 23, 2007)

Security Assurance

In addition to the other benefits, consumer reviews on retail websites serve an important function that is unique to the online environment. The issue of online security has been the source of consumer anxiety from the dawn of online retailing and news items concerning identity theft are constant reminders of the lurking danger. Regardless of their valence and quality, the mere presence of consumer reviews can address this critical concern of consumers by signaling to visitors that the website is a safe place to shop. The logic behind this is as follows: When many other people visit, shop, and/or leave reviews, this website is not an unpopulated dangerous corner of the cyberspace. Rather, it can give an impression that the retail website is at least secure and reliable.

Volume, Valence, and Value of Consumer Review Messages on Retail Websites

Based on the evidence presented thus far, one can reasonably draw a conclusion that having review features is almost always better than not having them at all. It appears that the online retail industry as a whole has also grasped the reality and fully embraced consumer reviews in their practices. Therefore, now is the time for researchers to ask questions about which particular attributes of consumer reviews are crucial in generating better results. This inquiry opens up fertile ground for more theory-driven research that can also inform marketers how to design and manage their consumer review features strategically. To date, three attributes of consumer reviews have received some attention in the research community.

Volume is one of them. Overall, a higher volume of consumer reviews was found to result in better outcomes. Using the *Amazon.com* book sales data, Li and Hitt (in press) illustrated that a higher number of reviews yielded higher sales rank. Although not in the retail context, the volume of consumer reviews was also found to be a significant predictor of box office revenue for Hollywood movies. Using online review metrics, researchers repeatedly demonstrated that a higher volume of consumer reviews on *Yahoo! Movies* website was related to increased box office sales (Dellarocas, Zhang, & Awad, 2007; Liu, 2006). In yet another study conducted in a discussion group context, the number of product reviews on a discussion forum was positively related to consumers' attitudes toward the brand, especially for a brand that was highly regarded from the beginning (Chiou & Cheng, 2003). Since the review features are open to virtually all consumers and there is no limit in the number of reviews that a consumer can post, the volume of reviews can vary from zero to thousands. For most online retailers, the primary task concerning the reviews may be simply to attract as many as they can. There are

too many places that consumers can go and post their reviews, and online retailers have to compete for the reviews not only with other retailers, but with other consumer opinion platforms as well.

Another important attribute of consumer reviews is valence. In general, more positive reviews were found to increase the likelihood of purchase. In the model constructed by Li and Hitt (in press), the average rating of a book was a significant predictor of its sales rank. In the movie industry context again, the valence of consumer reviews was found to be one of the significant and positive predictors of box office sales (Dellarocas, Zhang, & Awad, 2007).

Then, how common are negative reviews on retail websites and should they be necessarily considered to be a "red flag" for online retailers? According to an industry report, on average, positive reviews outnumber negative reviews by the ratio of 8-to-1. For example, negative reviews were found to comprise approximately 16% of 4,000 consumer reviews on *Amazon.com*. In terms of rating, industry observers also noticed a trend that they called "the J-curve." There are not many one-star ratings and even fewer two- and three-star ratings, followed by a huge leap in the number of four- and five-star ratings (Burke, May 1, 2008).

The impact of negative reviews on consumer decisions is more complicated. Macro-level analyses demonstrated that positive reviews led to a higher sales volume (Dellarocas, Zhang, & Awad, 2007; Li & Hitt, in press). Accordingly, online marketers would want more positive product reviews that can lead to product sales. Furthermore, research on traditional WOM has established a "negativity effect" stating that negative WOMs exert stronger influence on purchase decisions than positive WOMs (Weinberger & Dillon, 1980). Therefore, it is plausible that negative reviews may override positive reviews and persuade potential customers not to buy a product.

At the same time, there are other factors to consider. Whereas the immediate increase in sales may be more strongly influenced by positive

reviews, long-term satisfaction and loyalty may be more closely related to negative reviews. Indeed, negative reviews are more often considered to be helpful and honest (Burke, May 1, 2008). Industry experts also noted that most online shoppers buy products regardless of negative reviews (Sullivan, February 15, 2008). These seemingly contradictory reports can be reconciled when we consider the reality of product choices. In mass-merchandized markets, it may be unrealistic to expect a product to be satisfactory in every aspect, especially when the price is introduced into the equation. Therefore, in many purchase decision processes, negative reviews may allow consumers to deliberately weigh all the pros and cons about the product rather than chasing away potential buyers. When a consumer has realistic expectations about a product, the consumer is less prone to experience buyer remorse and, thus, more likely to come back to the retailer next time. Last but not least, negative reviews can save money for retailers by reducing product returns. Negative reviews keep consumers from buying the “wrong products” in the first place, which leads to significant savings in operation costs (Sullivan, February 15, 2008).

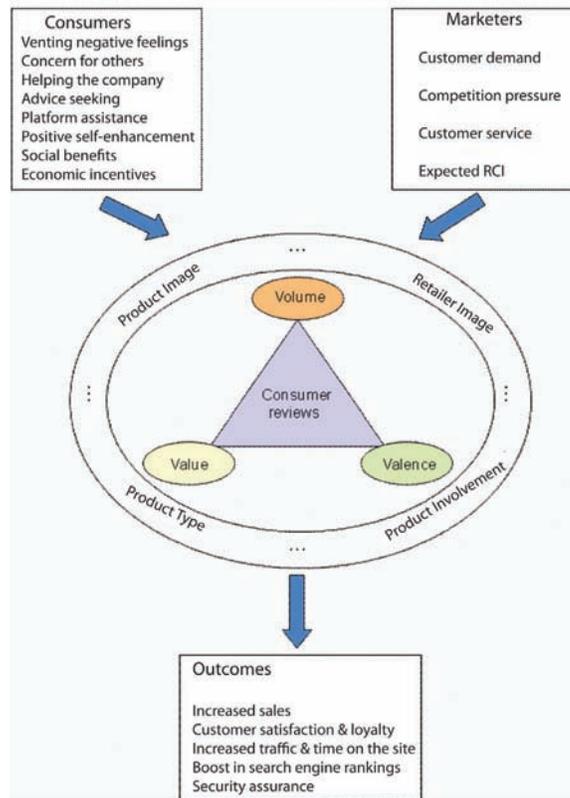
Indeed, a few studies that investigated the effects of valence along with other factors illustrated the complicated nature of the consumer decision process. In a study that examined the interaction between review valence and product type, Sen and Lerman (2007) found that consumers of utilitarian products took negative reviews more seriously by assuming the reviewers’ motivations favorably while consumers of hedonic products tended to ignore negative reviews by assuming the negative review irrelevant to the actual product quality. Susceptibility to negative consumer reviews was also found to be dependent on pre-existing attitudes toward the brand or retailer. When a brand had a high initial reputation, the brand image was not affected by negative consumer opinions on a discussion group. When a brand had a low reputation, on the other hand, the brand image was

further damaged by negative consumer opinions (Chiou & Cheng, 2003). Similarly, consumers who patronized a retail website based on familiarity were less likely to be affected by negative consumer reviews than consumers who shopped primarily based on price (Chatterjee, 2001).

The third and the least studied attribute of consumer reviews is value, which is interchangeable with the term “quality.” Although a retail website has a lot of positive reviews, the retailer would not be able to use the reviews as leverage against their competitors in the long term, if the reviews are of little value to consumers. A group of researchers identified relevance, objectiveness, understandability, and sufficiency as the criteria for review quality. Accordingly, they also defined that reviews with low values are emotional, subjective, and vacuous, with no information except expressions of subjective feelings or simple interjections of affirmation or disapproval (Park, Lee, & Han, 2007).

Subsequently, the same researchers conducted an experiment that examined the effects of review quality and volume based on the level of situational consumer involvement. Consistent with the framework provided by the elaboration likelihood model, quality of the reviews was a significant predictor of purchase intention for highly involved consumers while the quantity was not. For consumers with low involvement, on the other hand, quantity, or volume, of the reviews was more important than the quality. Although the research on the value of consumer reviews is still in preliminary stages, this topic has a great potential to generate useful knowledge on consumer reviews. For instance, future research can address the question of what makes consumers appreciate certain reviews and not others. Or, the differences in the value criteria, based on the demographic or psychographic characteristics of consumers, can be an interesting topic to explore. The following Figure 1 provides an overview of the online retail consumer review process.

Figure 1. An overview of the online retail customer review process



Ethical Considerations Regarding Consumer Reviews on Retail Websites

All these discussions about consumer product reviews on retail websites rest on one important principle: The reviews are truthful opinions of consumers who had some experience with the product. Although this is the most fundamental assumption underlying all the review-related activities, one shouldn't be surprised to find out that this principle is not always observed.

First, the principle can be infringed when the reviews are not written by consumers. Marketers have become increasingly aware of the power of user-generated contents on various Internet

outlets such as video sharing sites, social networking sites, and product and service review sites. Although stealth tactics to sneak in positive reviews and delete or neutralize negative reviews are not unheard of in the online marketing circle, it shocked a lot of people when a company was actually sued for posting self-serving reviews on an independent product and service review website (Davis, March 10, 2008). Although an industry expert estimated that paid fake reviews account for less than 10% of all consumer reviews on the Internet, the concerns are real and justified (Sullivan, February 15, 2008). Even within the online marketing industry, practitioners started to call for standards for "buzz" or "viral" marketing (Snyder, 2004) and, as a response, the Word

of Mouth Marketing Association has developed a Code of Ethics that emphasizes honesty and respect for the rules of communication venues (Miller & Associates, 2007).

Second, a violation of the principle is made if the reviews are not truthful, even when written by peer consumers. One caveat in the all-voluntary doctrine of consumer reviews is the possibility that a consumer can write a review voluntarily, but with a little encouragement by marketers, often in the form of material incentives. However, it will be very difficult and time-consuming to gather intelligence on which marketers are engaging in such tactics and it will be even harder to tell whether a consumer review is influenced by the effort. Therefore, most review sites delegate the responsibility of identifying fake reviews to individual consumers who use the websites. *TripAdvisor*, an independent review site for the travel industry, on the other hand, has a firm policy that prohibits marketers from providing incentives to their customers in exchange for the reviews. When identified, the website eliminates those consumer reviews (Graham, May 21, 2008). Although news reports on unethical behaviors are rare, a recent story involving fake consumer reviews for *Belkin* products on *Amazon.com* illustrates how easy it is to manipulate the consumer review systems. An online sales representative of the company reportedly posted highly positive reviews about *Belkin* products under pseudonyms. He was also accused of recruiting people to post positive product reviews for \$.65 per piece (Pogue, January 19, 2009).

Although may not be as clear-cut as those cases, some other behaviors by both consumers and marketers push the ethical boundaries of consumer reviews as well. While not on the payroll of a marketer, a consumer can be provided with a product for test trial. If the person writes a review about the product on retail websites, it can be considered a violation of the principle unless the reviewer discloses that the product was offered free by the marketer. On the other hand, online

retailers can also violate their customers' right to access information by unnecessarily imposing too many restrictions on the content of reviews. It is debatable whether it is fair to ban any comment on special offers available in other places, other products, and competing retailers, which are commonly restricted on many retail websites. Although the intention on the part of marketers is understandable, these comments can be beneficial for consumers.

Consumer Reviews on Retail Websites: Commons or Properties?

The confusion about what is allowed and what is not and the blatant violations of ethical guidelines can be partially attributed to the lack of a general consensus regarding the fundamental nature of the consumer reviews. Consumer reviews on retail websites are user-generated content produced for the purpose of communicating to other consumers. In terms of the participant dynamics, consumer reviews on retail websites have a few characteristics distinct from any other forms of consumer-to-consumer communications about products or services. First, consumers can read and comment on product reviews posted by other consumers who they have never met, whereas the flow of traditional consumer-to-consumer communications takes place in a closed social network (Brown & Reingen, 1987). Second, a consumer who posts a review has to assume his or her audiences and address them whereas a consumer expressing his or her view usually knows exactly to whom he or she is talking, which may render the review content more general than other consumer opinions mostly shared in interpersonal contexts.

Whereas these two characteristics are applicable to most consumer opinions available online, there are other characteristics that are unique to consumer reviews on retail websites. First of all, the communication forums can only be enabled by online retailers who adopt consumer review features to their websites. Also, unlike other

consumer-to-consumer communications which take place outside of the marketers' domain (e.g., independent review sites and chat rooms), online product reviews are displayed within the retail websites. In addition, once posted by consumers, the reviews can be read by other consumers visiting the product site anytime and anywhere, which makes them more referable than other online consumer opinions available elsewhere on the Internet (Schindler & Bickart, 2005).

Considering these characteristics, one may conclude that consumer reviews on retail websites are part of marketing communication rather than organic consumer communication. Indeed, this perspective is supported by the fact that the availability and format of consumer reviews are completely dependent on the marketers' decisions. This view is also widely shared by marketers who make a substantial amount of investment in installing and managing review systems. Marketing researchers and industry analysts also reinforce the belief that consumer reviews are part of marketing communication by producing research that situates consumer reviews in a wider context of marketing communication and compares consumer reviews with other marketer-generated messages.

Before accepting this prevalent view, however, it may be useful to examine consumer reviews in the framework of an emerging economic model called "commons-based peer production." (Benkler, 2006) "Commons" refers to an institutional form of structuring the rights to access, use, and control of resources and is characterized by shared rights over any resource in the commons among its members. It is the opposite of "property" that recognizes the authority of one person or a particular group of people over any resources controlled by the organization.

Commons, in turn, can be classified into four types based on two criteria (Benkler, 2006). First, depending on the exclusivity of membership, some commons are open to anyone (open commons) whereas others are limited to a defined group (limited-access commons). Second, some

commons, especially the limited-access ones, have more or less elaborate rules governing its resources whereas others don't.

Certainly, retail websites are the properties of the marketers and the review features are also installed and maintained by marketers at their expense. But it is not clear whether the contents of the consumer reviews are also "properties" of the website owners. Rather, from the perspective of membership and regulation, consumer reviews on retail websites operate fairly similarly to the open commons. There is no barring circumstances for entry. Although some retail websites limit the privilege of review writing to consumers who have used the product before, there is no way to cross-validate the claim of product experience. Other than this, anyone can join other consumer reviewers as long as they register and log-in. In some retail websites, even the registration and log-in steps are not required. As a rule, consumer reviews are very loosely regulated in terms of the governance of the review contents as well. Most retail websites have a published review guideline and reserve the right to block or remove reviews that are deemed to have violated either laws or others' rights. Other than these instances, however, anyone can contribute their opinions in the form of consumer reviews. The usage of the consumer reviews is also hardly constrained in that anybody visiting a retail site can view the reviews and use them in any way that they want within legal bounds. In addition, consumer reviews are the outcome of peer production in that there is no hierarchy and people participate in the creation and consumption of the reviews mostly on their own terms. Even though there is little to none monetary reward for their input, a great number of people participate in the production of consumer reviews.

Then, what are the roles and rights of retail websites over the consumer review process? According to Benkler (2006), an act of communication is comprised of three distinct functions. First, people, whether professional or amateurs, should create a meaningful content. Second, the content should be

put in a context where it is considered relevant and credible. Third, the content or information should be distributed to others who can make use of it. In the mass-mediated world, all three functions were often carried out by one organization. In a network-based economy, however, Benkler (2006) claims, this process is much more disaggregated. The most prominent example is the user-generated content (UGC) on the Internet. The importance of UGC in the marketing context has notably increased (Cheong & Morrison, 2008). Unlike other UGCs found in consumer community sites and social networking sites, however, consumer reviews on retail websites entirely depend on the site owners for the distribution function and the function of assigning relevancy and credibility.

Unfortunately, the legal rights and responsibilities of consumer reviewers and online marketers over the consumer reviews are not well defined yet. Although many online retailers provide guidelines detailing what renders a review unpublishable on their websites, most of the guidelines are not explicit on who owns the reviews and what the rights of both consumer reviewers and the retailers are. One rare exception is found on *Amazon.com* that states that consumer reviewers, by posting content or submitting material, grant *Amazon* a “nonexclusive, royalty-free, perpetual, irrevocable, and fully sublicensable right to use the content in any form in any media.”

Obviously, this contractual statement was carefully crafted to maximize the benefits that the retailer may reap from the review activities while protecting itself from any liability caused by the reviews. At the same time, the statement clearly recognized consumer reviewers’ ownership over their comments and also allowed consumers to use their comments in other contexts by claiming the retailer’s right to be nonexclusive. On *Amazon.com*, consumer reviewers can also modify or delete their reviews at will.

Consumer Reviews as Social Capital

Whether one views the consumer reviews as commons or properties of retailers, it is indisputable that consumer reviews illustrate what people can achieve through collective collaboration. The seemingly unproductive activities at the individual level such as surfing and posting created a significant amount of information as social capital. Accumulation of quality information about products and services can contribute to consumer welfare to a great extent. Furthermore, the presence of high-quality reviews, as opposed to low-value ones, can encourage others to do the same. In the end, this process may trigger a positive feedback loop that nurtures an environment where people voluntarily provide useful information to other consumers. This perspective is theorized by a social scientific analytic framework known as the social identification and deindividuation (SIDE) model (Lee & Nass, 2002). According to the SIDE model, the activities of participants on an online forum are influenced by identification and general group norms. Honest and useful information contributed by a large number of individuals will make the general online social environment prone to social co-operation rather than harmful social scathing.

Aggregation of trustworthy information by general online users can be potentially crucial for the further proliferation of online economic activities. It has been known that trust among the users of an online platform is very fragile due to the anonymous nature of online communication. People can easily opt out when they feel that the communication is not worth their time or meaningful. Or, some people intentionally engage in deceitful and hurtful communication behaviors when expressing their views or dealing with others online. Without trust, the online retail industry will become a market for “lemons” (Akerlof, 1970) and online business transactions are very likely to be limited to the exchange of cheap and low quality products.

Along with other measures such as an institutional seal of approval, consumer reviews can be a solution to the shortage of trust. Despite the difficulties of building trust online, aggregated credible and useful information by anonymous peer consumers can facilitate an environment where people will be engaged in exchanges of opinions and, eventually, persuade one another to buy products and services online. From this view, the aggregated consumer reviews comprise important social capital that can be crucial in the further advance of an economy in which the abundance of high-quality information benefits honest and responsible marketers as well as consumers.

Moderation and Reputation Systems as the Quality Safeguards of Consumer Reviews

Considering this significance of consumer reviews as social capital, it becomes all the more important that we find ways to protect the quality and integrity of consumer reviews in the interest of everybody involved. Fortunately, there are useful evaluation mechanisms available online such as moderation and reputation systems.

Online moderation systems are very similar to their off-line counterparts. Moderators command and control consumer reviews. They can set up guidelines for reviewers to follow and have the authority to remove or edit consumer reviews that are deemed to have violated the guidelines. Most of these moderation activities occur either during or immediately after a consumer submits a review. Online reputation systems, on the other hand, become effective over time after a review has been posted. Once a consumer review becomes public, other consumers can rate the review based on how helpful it is. Although a study reported that only 5 out of 100 retail websites had this reputation system in 2004 (Yun, Park, & Ha, 2008), it appears that a lot of online retailers have adopted this function since then. Additionally, some online retailers have features that allow consumers to evaluate

the reviewers, the source of information, as well.

For both the moderation and reputation systems, reviewer log-in and registration are necessary. A consumer who submits a review should be identifiable, though not necessarily by his or her real name, to be sanctioned for either irrelevant or inflammatory reviews and to get a proper recognition for good reviews. A majority of the consumer review systems require consumers to register and log-in before using the review features (Yun, Park, & Ha, 2008). During the registration process, site administrators can collect personal information including email, home address, phone numbers, and, sometimes, a demographic profile. And the information collected during the registration can be used for the purpose of controlling the quality of consumer reviews.

In practice, a significant proportion of retail websites have adopted the moderation system. Upon submission, more than half of 100 leading online retail websites displayed the consumer reviews after a delay ranging from a day to a week (Yun, Park, & Ha, 2008). Indeed, the filtering can be an effective quality control mechanism. But, there are caveats against the moderation system. For instance, it makes submitted consumer reviews vulnerable to the biases of the moderator or moderating system (Stromer-Galley, 2000; Jensen, Farnham, Drucker, & Kollock, 2000). The biases of a small group of moderators and the fear of being punished by the moderators can discourage message posting (Jensen et al., 2000). In the case of consumer reviews on retail websites, the threat is more obvious because retailers would welcome positive reviews while being wary of negative ones. Even if the website administrators do not reject negative reviews categorically, they may examine negative reviews closer than positive reviews and thus find more of them in violation of their consumer review guidelines.

Furthermore, a lack of moderator resources can leave a hole for flaming and unreliable postings (Wright, 2000). It takes a lot of time and effort to monitor the postings constantly, especially when

there is a lot of review activity on the website. When the website is small and deals with a limited number of customers, the task of moderating the reviews may be manageable. But, for many retail websites that carry thousands of products targeting a mass market, the task can become overwhelming very quickly. The evolution of a recommendation system on an online discussion forum called *Slashdot* (www.slashdot.org) clearly illustrates this problem. At the opening of the site, a relatively small number of *Slashdot* moderators were able to maintain the website by deleting abusive messages when the number of postings was not very high. But, as the website grew increasingly popular, the moderators were quickly overwhelmed. Eventually, the website developed a sophisticated system in which the duty and authority of moderation was efficiently and evenly distributed among its members. The system picked moderators amongst candidates who were registered to the website and then the chosen moderators had the authority for a limited term, only to pass down the power to other members when theirs expired (CmfrTaco, 1999). However, it is questionable whether this model will be applicable to online retailers because retail websites are different from online community sites. Currently, most online retailers do not pay close attention to all consumer reviews on their websites. Although they delay postings of submitted reviews, a lot of them even do not screen the reviews at all, whereas some outsource Web application service providers to screen reviews (Parks, April 2008). This reality may discourage smaller online retailers from implementing a moderation system for fear of losing control.

The other control mechanism, the reputation system, has both strengths and weaknesses as well. Kollock (1999) posited that previous behaviors can predict future behavior and this can be conceptualized as a reputation. In other words, when someone has a good reputation, we can expect a similarly good behavior from the same person in the future. People frequently employ a

reputation system in their daily encounters with others by basing their credibility judgments on the reputation of the others. One's credibility can be founded on various factors such as academic credentials, occupation, experience, and appearance, to name a few. In online environments, however, reputation as defined as a behavioral pattern is more relevant and readily applicable because the other information is not as salient as in off-line contexts.

A clear advantage of the reputation system vis-à-vis the recommendation system is that it is free from the concerns about the moderator biases and the limited moderator resources that were identified as the weaknesses of the latter. Users of a website can participate, knowingly and unknowingly, in the quality control process. Their contribution is explicit if the participation occurs by actively evaluating or rating others' postings. If one does not engage in the evaluative activities but conducts quantifiable activities like clicking on a particular review, the person implicitly contribute to the reputation system by adding a number to the access frequency. Besides the simple frequency of review access, a consumer review can also be ranked based on other activities such as the frequency of replies, the number of threads, and the frequency of page access (Jensen et al., 2000).

Ironically, these strengths also expose the reputation system to a potential threat of insolvency. The reputation system, especially the explicit kind, requires active participation in large numbers. When there are not many people participating in the rating of consumer reviews, the reputation system may not function properly (Terveen & Hill, 2001). Review ratings conducted by a small number of consumers can be unreliable and cannot command trust of other consumers. Another important issue, if not necessarily a drawback, of the reputation system is concerned with how to implement it. A reputation system can be set up to provide positive reinforcements, to impose sanctions, or to do both. In other words, a consumer review may receive a positive rating point only, a

negative point only, or both positive and negative rating points, depending on the reputation system.

Overall, negative reputation systems that allow negative rating of *reviewers* are considered to be less productive. Some researchers pointed out that negative reputation systems may promote blacklisting and discourage review posting in the whole community. In addition, blacklisted users can easily create multiple identities to bypass the negative reputation system, if necessary (Kollock, 1999). However, negative reputation systems applied to *posted reviews*, as opposed to the reviewers, may serve some purposes. For one, the fact that the reviews are subject to peer evaluation can alert potential consumer reviewers to be more mindful of the quality of their postings. For the users of the reviews, a negative rating on a posted review can signal that the review may not merit their consideration. Hence, it can save time and effort of consumers and enable them to focus on high-value reviews.

CONCLUSION

As examined throughout this chapter, consumer reviews on retail websites serve multiple functions for consumers, marketers, and the wider society. Therefore, it is in the interest of everyone in society to protect the integrity of the communication process and further refine the configurations to solicit more active and open participation from various members of the consumer community. It will be wise of online retailers to align their interest with the interest of consumers and society in their efforts to achieve this goal. Consumers, on their part, also need to fulfill their responsibilities by contributing honest and thoughtful reviews while keeping a watchful eye on the activities of fellow consumers and marketers that may depreciate this important social capital.

This chapter did not intend to single out particular online retailers as good or bad examples of consumer review management. At the same

time, it is hard not to notice that *Amazon.com* has been mentioned many times for innovative review features and policies that also make sense from the theoretical perspective. Although the consumer review features are only part of what has made them so successful, their dominant position in the online retail industry certainly serves the lesson to other online retailers to invest more on research and intelligence to stay on the frontline of customer relationship management.

Empowered consumers are often considered to be the biggest change in the advertising and marketing field brought about by the interactive media. What is equally significant, however, is the change in the way marketers communicate with their customers. Consumer empowerment does not necessarily lead to the crippling of marketers' power and influence. The only certain change is the mode of communication from being unidirectional to becoming more and more bidirectional. In this paradigm shift, consumer reviews should be regarded by online retailers as a powerful tool in their arsenal that they can deploy to nurture a mutually beneficial relationship with their customers. The research community should also play an important role during this transitional period by providing strategies that can contribute to the proliferation of online businesses as well as consumer welfare.

REFERENCES

- Akerlof, G. (1970). The market for 'Lemons': Quality uncertainty and the market mechanism. *The Quarterly Journal of Economics*, 84, 488–500. doi:10.2307/1879431
- Benkler, Y. (2006). *The wealth of networks: How social production transforms markets and freedom*. New Haven, CT: Yale University Press.

Consumer Reviews on Retail Websites

- Brown, J. J., & Reingen, P. H. (1987). Social ties and word-of-mouth referral behavior. *The Journal of Consumer Research*, 14(November), 350–362. doi:10.1086/209118
- Burke, K. (2008, May 1). E-commerce link: Humanizing the Web. *Target Marketing*. Retrieved August 6, 2008, from <http://www.targetmarketingmag.com/story/reprints.bsp?sid=95879&var=story>
- Chatterjee, P. (2001). Online reviews: Do consumers use them? *Advances in Consumer Research. Association for Consumer Research (U. S.)*, 28, 129–133.
- Cheong, H. J., & Morrison, M. A. (2008). Consumers' reliance on product information and recommendations found in UGC. *Journal of Interactive Advertising*, 8(2). Retrieved July 30, 2008, from <http://www.jiad.org/article103>
- Chiou, J., & Cheng, C. (2003). Should a company have message boards on its websites? *Journal of Interactive Marketing*, 17(3), 50–61. doi:10.1002/dir.10059
- CmdrTaco. (1999, September 9). *Slashdot Moderation*. Retrieved April 17, 2003, from <http://slashdot.org/moderation.shtml>
- Creamer, M. (2007, July 23). At last, the reviews are In Wal-Mart wakes up to the power of the people. *Advertising Age*.
- Davis, W. (2008, March 10). Company accused of posting self-serving reviews. *Media Post Publications*. Retrieved August 6, 2008, from http://www.mediapost.com/publications/index.cfm?fuseaction=Articles.showArticleHomePage&art_aid=78101
- Dellarocas, C., Zhang, X., & Awad, N. F. (2007). Exploring the value of online product reviews in forecasting sales: The case of motion pictures. *Journal of Interactive Marketing*, 21(4), 23–45. doi:10.1002/dir.20087
- Freed, L. (2007, March 1). Customer product reviews: Key to driving satisfaction, loyalty and conversion. *Foresee Results*. Retrieved on August 1, 2008, from <http://www.ForeSeeResults.com>
- Frey, B. S., & Jegen, R. (2001). Motivation crowding theory. *Journal of Economic Surveys*, 15(5), 589. doi:10.1111/1467-6419.00150
- Graham, J. (2008, May 21). Online reviews can help grow a business: More consumer prowl Web looking for recommendations. *USA Today*.
- Hennig-Thurau, T., Gwinner, K. P., Walsh, G., & Gremler, D. D. (2004). Electronic word-of-mouth via consumer-opinion platforms: What motivates consumers to articulate themselves on the Internet? *Journal of Interactive Marketing*, 18(1), 38–52. doi:10.1002/dir.10073
- Jensen, C., Farnham, S. D., Drucker, S. M., & Kollock, P. (2000 April). *The effect of communication modality on cooperation in online environment*. Paper presented at the CHI, Hague, Netherlands.
- Kollock, P. (1999). The production of trust in online markets. In Lawler, E. J., Macy, M., Thyne, S., & Walker, H. A. (Eds.), *Advances in Group Processes (Vol. 16)*. Greenwich, CT: JAI Press.
- Lee, E. J., & Nass, C. (2002). Experimental tests of normative group influence and representation effects in computer-mediated communication. *Human Communication Research*, 28(3), 349–381.
- Li, X., & Hitt, L. M. (in press). Self selection and information role of online product reviews. *Information Systems Research*.
- Liu, Y. (2006). Word-of-mouth for movies: Its dynamics and impact on box office receipts. *Journal of Marketing*, 70, 74–89. doi:10.1509/jmkg.70.3.74
- Magill, K. (2006, March 1). Petco tests product reviews. *Direct*. Retrieved July 24, 2008, from http://directmag.com/disciplines/email/marketing_petco_tests_product/

- Miller, R. K. (2007). *The 2007 entertainment, Media & advertising market research handbook (RKMI471789)*. Loganville, GA: Richard K. Miller & Associates.
- Park, D., Lee, J., & Han, I. (2007). The effect of on-line consumer reviews on consumer purchasing intention: The moderating role of involvement. *International Journal of Electronic Commerce*, 11(4), 125–148. doi:10.2753/JEC1086-4415110405
- Park, S., & Ha, L. (2005). Interactivity in consumer commenting functions: A comparison of Korean and U.S. leading retail websites. In *Proceedings of the American Academy of Advertising Asia-Pacific Conference*, Hong Kong.
- Parks, L. (2008 April). Peer reviews drive online buyers: Bath & Body Works kicks up conversion rate using customer comments. *Stores*. Retrieved August 4, 2008, from http://www.stores.org/Current_Issue/2008/04/edit8/index.asp
- Pogue, D. (2009, January 19). Belkin employee paid users for good reviews. *New York Times*. Retrieved February 16, 2009, from <http://pogue.blogs.nytimes.com/2009/01/19/belkin-employee-paid-users-for-good-reviews/?scp=1&sq=belkin%20employee%20&st=Search>
- Schindler, R. M., & Bickart, B. (2005). Published word of mouth: Referable, consumer-generated information on the Internet. In Haugtvedt, C. P., Machleit, K. A., & Yalch, R. (Eds.), *Online consumer psychology: Understanding and influencing consumer behavior in the virtual world* (pp. 35–61). Mahwah, NJ: LEA.
- Sen, S., & Lerman, D. (2007). Why are you telling me this? An examination into negative consumer reviews on the Web. *Journal of Interactive Marketing*, 21(4), 76–94. doi:10.1002/dir.20090
- Senecal, S., & Nantel, J. (2004). The influence of online product recommendations on consumers' online choices. *Journal of Retailing*, 80(2), 159–169. doi:10.1016/j.jretai.2004.04.001
- Smith, D., Menon, S., & Sivakumar, K. (2005). On-line peer and editorial recommendations, trust, and choice in virtual markets. *Journal of Interactive Marketing*, 19(3), 15–37. doi:10.1002/dir.20041
- Snyder, P. (2004, June 28). Wanted: Standards for viral marketing. *Brandweek*, 45(26), 21.
- Srinivasan, S. S., Anderson, R., & Ponnavaolu, K. (2002). Customer loyalty in e-commerce: An exploration of its antecedents and consequences. *Journal of Retailing*, 78(1), 41–50. doi:10.1016/S0022-4359(01)00065-3
- Stromer-Galley, J. (2000). On-line interaction and why candidates avoid it. *The Journal of Communication*, (Autumn): 111–132. doi:10.1111/j.1460-2466.2000.tb02865.x
- Sullivan, E. A. (2008, February 15). Consider your source: As e-commerce sites add consumer-generated review systems, marketers and consumers hope truth trumps disingenuousness. *Marketing News*, 16-18.
- Terveen, L., & Hill, W. (2001). Beyond recommender systems: helping people help each other. In Carroll, J. (Ed.), *HCI In The New Millennium*. Reading, MA: Addison-Wesley.
- Weinberger, M. C., & Dillon, W. R. (1980). The effects of unfavorable product information. In Olson, J. C. (Ed.), *Advances in Consumer Research (Vol. 7, pp. 528–532)*. Ann Arbor, MI: Association for Consumer Research.
- Wright, K. (2000). Perceptions of on-line support providers: an examination of perceived homophily, source credibility, communication and social support within on-line support groups. *Communication Quarterly*, 48(1), 44–59.

Consumer Reviews on Retail Websites

Yun, G. W., Park, S., & Ha, L. (2008). Influence of cultural dimensions on online interactive review feature implementations: A comparison of Korean and U.S. retail websites. *Journal of Interactive Marketing*, 22(3), 40–50. doi:10.1002/dir.20116