Full Length Article

The effect of review valence and variance on product evaluations: An examination of intrinsic and extrinsic cues☆

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1. Introduction

Companies often spend millions of dollars delivering their message to consumers. Ironically, it is the consumer who often forms the most persuasive and informative arguments (Sridhar & Srinivasan, 2012). In recent years, WOM communication has experienced exponential growth in the form of online consumer reviews. Today, consumers regularly rely on online reviews as a trusted source before making purchase decisions (Ludwig et al., 2013; Zhu & Zhang, 2010). A survey by Nielsen (2012) finds that 92% of global consumers trust earned media, including WOM recommendations, above all other forms of advertising. For managers, the prevalence and popularity of websites that allow consumers to rate and review products has made it increasingly important to understand how online consumer reviews influence consumer evaluations (Jin, Hu, & He, 2014; Singh, Ratchford, & Prasad, 2014).

One explanation for the widespread use of online reviews is that consumers rely on product reviews to reduce feelings of uncertainty prior to purchase. A consumer considering the purchase of an appliance for example is likely to find the average rating of a product to be helpful, as higher average ratings suggest greater quality (Sun, 2012). The consumer is also likely to regard full agreement among consumer reviews (positive or negative) as particularly useful when assessing the potential outcome of a purchase decision. Importantly, however, consumers may not always find reviews helpful in their efforts to reduce decision uncertainty, and in reality, undivided agreement rarely exists among consumer reviews.

Imagine that you are in the process of purchasing a new coffeemaker. You have considered your preferences and, given your criteria, managed to narrow your online search down to two equally desirable coffeemakers. Both coffeemakers received a similar number of reviews, and the average consumer rating for both brands is the same (4 out of 5 stars). However, for coffeemaker A, the online reviews show consistent ratings and evaluations across consumers. Conversely, consumer evaluations of coffeemaker B vary considerably. Some consumers give the coffeemaker extremely high marks, whereas others are displeased with its quality. Which coffeemaker would you choose? How does variance or lack of consensus among reviews influence your selection? Finally, would variance have the same effect on your purchase decision if the average rating for the coffeemakers was higher or lower?

Research on this topic has recently begun to provide insights into the combined effects of valence (average rating) and variance on consumers’ product evaluations and purchase decisions. Zhu and Zhang (2010) analyze observational data on sales of

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videogames as a function of online review characteristics. They find that a high valence and volume of reviews have positive effects, whereas a low valence and volume has a negative effect on the sales of less popular games. Khare, Labrecque, and Asare (2011) study experimental data in which valence and variance are manipulated to examine their joint effects on movie evaluations. They find that high variance among reviews of a movie with low average ratings increases consumers’ desire to see the movie. Conversely, high variance decreases preference for seeing the movie when ratings are higher than average. Drawing from data derived from two online book retailers, Sun (2012) shows that when a product has a high valence, greater variance among reviews reduces demand for the product. Conversely, demand increases for products with a high dispersion of ratings when the average rating is low. These findings are echoed in a recent study by Kostyra, Reiner, Natter, and Klapper (2015), in which they investigate the interplay between online consumer review valence, variance and volume through a series of choice-based conjoint experiments.

Despite the insights put forth by these papers, recognition of the underlying processes driving these effects and the conditions under which they hold remain incomplete. Hence in our research we begin by establishing the need for valence and variance to be examined concurrently by demonstrating that each of these information cues, when considered independently, have the potential to lead to erroneous assumptions on the part of consumers. Next, we examine the combined effect of valence and variance on consumers’ product evaluations in the presence of important, yet ignored, intrinsic (hedonic/utilitarian products) and extrinsic (brand equity and source credibility) cues. We believe the current findings within existing literature can be further explained by taking these factors into account. In this research, we restrict ourselves to high volume, since Khare et al. (2011) show that many of the effects do not exist at low volume. To that extent, the results of our findings are restricted to popular products which have high number of reviews.

Guided by the accessibility-diagnosticity framework (Lynch, Marmorstein, & Weigold, 1988), we theorize that variance among consumer reviews increases uncertainty due to a lack of review diagnosticity. We further submit that review variance is likely to have differential effects on consumers’ purchase intentions depending upon the nature (hedonic vs. utilitarian) and average rating (valence) of the product being considered. Lastly, we test the potential for brand equity and reviewer credibility to offset the influence of review variance on consumers’ purchase decisions.

We believe this research makes notable contributions to current understandings of how consumers incorporate online reviews in their decision making. First, we examine the moderating roles of intrinsic and extrinsic cues and provide insights into the psychological process driving the relationship between online review metrics and product evaluations. We find that higher levels of review variance increase decision uncertainty, thereby reducing consumers’ purchase intentions. Second, we establish the premise that online review variance and valence lead to incorrect inferences when each is viewed in isolation; thus establishing the need for these two factors to be examined jointly. Third, this study extends prior research by demonstrating that each of these information cues, when considered independently, have the potential to lead to erroneous assumptions on the part of consumers. Next, we examine the combined effect of valence and variance on consumers’ product evaluations in the presence of important, yet ignored, intrinsic (hedonic/utilitarian products) and extrinsic (brand equity and source credibility) cues. We believe the current findings within existing literature can be further explained by taking these factors into account. In this research, we restrict ourselves to high volume, since Khare et al. (2011) show that many of the effects do not exist at low volume. To that extent, the results of our findings are restricted to popular products which have high number of reviews.

In the following section, we put forth a theoretical foundation to guide our research. Next, we review prior research on online consumer review variance and valence to develop a set of hypotheses. After presenting our empirical findings from two pilot studies and three experiments, we conclude with a discussion of the implications of our studies and suggestions for further research.

2. Conceptual framework

2.1. Cue diagnosticity

Consumers may consider different pieces of information or cues when assessing the quality of a product (Jacoby, Olson, & Haddock, 1971; Olson & Jacoby, 1972). Prior research has classified these cues as either intrinsic or extrinsic to the product (Miyazaki, Grewal, & Goodstein, 2005; Richardson, Dick, & Jain, 1994). Intrinsic cues represent physical attributes of a product, such as, for example, the weight, material, and design of a tennis shoe. Extrinsic cues are related to the product but are not part of the product itself. Consequently, the brand of the shoe, the price, and the image of the store in which the shoes are being sold may all serve as extrinsic cues. Prior research suggests that consumers tend to use intrinsic and extrinsic cues concurrently when making product evaluations (Jacoby et al., 1971).

Importantly, consumers are more likely to use contextual cues as inputs for judgments and choice when they perceive the cue as instructive and diagnostic (Feldman & Lynch, 1988). According to the accessibility-diagnosticity framework, a piece of information is said to be diagnostic if it helps consumers assign the focal product to a cognitive category or aids them in achieving a decision goal (Ahuwalia & Gurhan-Canli, 2000; Herz & Diamantopoulos, 2013). A consumer attempting to evaluate the safety of a vehicle, for example, may use the Volvo brand name or the number of airbags as a means of assigning the vehicle to a cognitive category (e.g., safe or unsafe). Conversely, ambiguous information, such as the color of the vehicle or miles per gallon it averages, will not be deemed diagnostic and therefore is unlikely to be used as a judgment or choice input.

The framework further predicts that evaluations are used as inputs to choice when overall evaluations are consistent (Lynch et al., 1988). It follows then that consumers who encounter a lack of consistent, diagnostic information are introduced to a greater
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