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How consumers respond to incentivized word of mouth: An examination across gender

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ABSTRACT

While word-of-mouth (WOM) activities may be planned by marketers, customers have to execute them. And although marketers may attempt to encourage customers to do so by providing either unconditional or conditional incentives, customers have the ultimate control whether or not they execute WOM-related activities. WOM senders' actions might be somewhat aligned with a company's objectives, but marketers have even less control over the responses of WOM receivers. Thus, from the receivers' perspective, this paper examines how incentivized WOM should be designed to boost the success of a marketing program. The theory of planned behavior serves as a framework to explain both the internal and the external drivers that determine receivers' reactions to WOM stimuli. An experimental design is applied to investigate different modes of mobile coupons as a novel tool of WOM. Gender is identified as a major source of heterogeneity in receivers' responses. Results show that incentives' conditionality exerts a negative impact on receivers' responses. The inequality of incentives does significant harm to WOM campaigns that are aimed at male consumers. By contrast, external drivers exert a particularly strong influence on females' reaction to WOM stimuli. Situations of reciprocity reduce women's perceived behavioral control and thereby increase their likelihood to execute the desired WOM action. Research findings hint at the need to design gender-specific incentive schemes to foster WOM.

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1. Introduction

At present in the digital era, consumers can easily receive and provide information on products and services they are interested in. The transformation from WOM to e-WOM (Chu and Kim, 2011) and ultimately to mobile WOM, or M-WOM (Okazaki, 2009), has enriched the possible media that consumers can use to express WOM. The use of smart phones makes it more convenient for consumers to send, search, comment, and collect information about products and services they are interested in (Wiedemann, 2007). Here, M-WOM or mobile viral marketing relies on the consumers' intention to transmit WOM's content via mobile devices.

To provide a description of M-WOM, Palka et al. (2009) developed a mobile marketing framework consisting of various techniques to conduct promotion through mobile devices. They provide a grounded theory framework that elaborates the mobile viral effects

and identifies determinants of reception, usage, and forwarding of mobile viral content. According to them, the objectives of mobile marketing include building brand awareness, changing brand image, promoting sales, enhancing brand loyalty, building a customer database, and making the information contagious by utilizing mobile devices. Furthermore, according to Pousttchi and Wiedemann (2006), there are four types of mobile marketing tools that can be utilized to achieve those mobile marketing objectives: (1) mobile information, (2) mobile entertainment, (3) mobile raffle, and (4) mobile coupons, e.g. by giving incentives to someone to send a coupon to others.

While the development of mobile technology supports consumers' WOM activities, firms are becoming more able to measure and manage the potential effect of consumers' WOM activity (Verlegh et al., 2013). The typical approach of companies to generating WOM is to provide incentives for consumers involved in WOM activities while managing the information flow of the WOM (Stephen et al., 2012). Previous research has shown that giving incentives for WOM activities leads to an increasing likelihood that people will participate in this incentivized WOM (Buhler, 1992; Wirtz and Chew, 2002; Yang and Zhou, 2011).

This study investigates how WOM incentives should be designed so that they positively influence consumer intention to

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participate in WOM activity. The behavior of both senders and receivers has to be taken into account while ensuring that the responses from all participants are positive. While previous studies have focused on the sender's perspective and linked WOM messages to different motivations to engage in e-WOM (Yap et al., 2013), we focus on respondents' actions as a final behavioral consequence when redeeming a mobile WOM coupon. The theory of planned behavior (TPB) developed by Ajzen (1991) serves as the theoretical basis. It has been widely adopted to test consumers' behavior intention in general and has also been applied to previous studies on WOM (Becker et al., 2010; Clement et al., 2012; Kang et al., 2006). The current study extends TPB to the context of incentivized WOM by adding the distribution of incentives and reciprocity as new dimensions to the model. It provides both theoretical insights about the possibilities of marketing to influence consumers' motivation to engage in WOM and practical guidance for marketers to steer mobile WOM, especially in the context of designing mobile coupons.

A mobile coupon is a particular WOM application that is gaining interest in business: McDonald's, Starbucks, Burger King, and Red Bull are some of the well-known firms that utilize mobile coupon as a mobile marketing strategy. AC Nielsen (2015) concluded that European customers have the lowest mobile coupon-claimed usage level; however, more than half (an average of 55%) of customers are willing to try mobile coupons. This result shows the potential growth of mobile couponing.

While most WOM studies focus on sharing information in positive or negative valence (Yap et al., 2013) and recommending products and services (Chevalier and Mayzlin, 2006), our study aims to utilize mobile coupons as a novel tool for e-WOM that can be disseminated by forwarding it to others. e-WOM has been examined by Hsueh and Chen (2010), who propose peer-generated targeting to address receivers of mobile coupons. The authors identified basic mechanisms to link senders through mobile coupons with receivers and to steer their joint action. To advance this line of research, our study investigates the influence of gender. We assume it to be a key determinant of WOM behavior, as previous studies revealed a large influence on consumer decision-making styles in general (Mitchell and Walsh, 2004).

2. Incentive

Monetary incentives are widely used by marketers to encourage consumers to generate WOM. Tuk (2008) stated that a consumer can get a monetary reward through e-coupons or mobile coupons by providing the name and/or address (e.g. email address) of friends whom they consider to be potential customers for these companies. Furthermore, according to Buhler (1992), persons rewarded for their action are more likely to behave in the same way again in the future. In line with Tuk (2008) and Buhler (1992), Gupta and Shaw (1998) argue that monetary incentives can be used to develop a certain behavior.

Marketers use incentives such as paybacks or discounts to increase the likelihood of a person to act in the company's interest (for example, by communicating positively about its product and/or services). Consequently, incentives, particularly monetary ones, have been employed by many business entities to steer consumers' actions. However, the effectiveness of such incentives to increase consumers' participation in WOM remains unaddressed. Latham and Locke (1991) stated that incentives should motivate people to behave in a particular way, while Lepper et al. (1973) found that incentives may decrease a person's intrinsic motivation.

Research in the field of mobile WOM – and mobile coupons, in particular – provides only a limited understanding of the factors determining the consumer responses that are triggered by mobile

coupons (Banerjee and Yancey, 2010). Some researchers have explored the attributes (e.g. technical format, configuration channel, and personalization) of m-coupons (Wehmeyer and Müller-Lankenau, 2005), service perspectives (e.g. type of messages, time of delivery of messages and product relevancy) of m-coupons (Bacile and Goldsmith, 2011), or the message timing and product category (Banerjee and Yancey, 2010), and how these factors influence consumers' intention to redeem an m-coupon.

An initial study of receivers' intention concerning incentivized WOM through mobile devices was done by Yang and Zhou (2011). Their research concluded that subjective norms, perceived costs, and perceived pleasure significantly influence receivers' intention to respond to WOM content. The study shows that entertaining and useful messages are distributed differently and are based on different motives. It demonstrates that WOM messages are only likely to be forwarded by young consumers if they connect them with their own personal interests. Thus, when incentives are involved in WOM activity, firms should design the incentive in such a way that it influences the behavior and elicits positive responses from the receiver. However, firms need to ensure that the incentives are not only effective but also efficiently designed. Thus, from a managerial point of view, budgetary aspects play a major role when providing incentives. Marketers need to decide about the size, distribution, and conditionality of incentives. Consequently, this paper investigates two core components of incentive strategy – incentive differentiation and incentive conditionality – in order to improve receivers' attitudes to mobile coupons and their behavioral intention to redeem such coupons.

2.1. Incentive differentiation

The company or marketer needs to determine the number of incentives provided to both senders and receivers. Both are key parameters for the marketing manager, who has to decide about the allocation of money to the WOM campaign. The distribution of the differentiated incentive of senders and receivers can follow one of three generic patterns: The incentives are equal for both parties, the senders obtain bigger part of the incentive, and the senders obtain less than the receivers. The incentive differentiation between senders and receivers is not a simple decision for any company. Xiao et al. (2011) argued that senders cared about the impression the receivers have of them, e.g. "helping a friend". When an incentive is introduced into referral programs, senders are concerned about the possibility of making a negative impression on the receivers. Additionally, receivers might perceive the senders of incentivized WOM as a non-credible source. Accordingly, in their research regarding strategies for a company to generate electronic referrals, Ahrens and Strahilevitz (2007) found that providing the same incentive to senders and receivers leads to a higher number of successful referrals.

If an incentive is unequally distributed between the two WOM actors, the best strategy for business entities is to give the larger part of the incentive to the sender rather than the receiver because senders tend to make more referrals if they are granted with a larger share of the incentive (Ahrens et al., 2013). The distribution of the incentive between two parties is in line with the game-theoretic framework of the "ultimatum game" (Thaler, 1988). The framework states that a receiver of an unexpected gain perceives it to be fair if the sender obtains a somewhat larger share of the overall gain (up to 70–80%).

Referring to these conflicting views on impression versus fairness, we manipulate the incentive differentiation strategies to be either different (with the sender obtaining a higher incentive than the receiver) or not different (with the incentives of the senders and receivers being equal).

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