



Spiegel Research 2.0

How negative is negative word-of-mouth?



Evidence on how posting and viewing online negative word-of-mouth on a social media platform affects customer purchase behaviors

Su Jung Kim, Rebecca Jen-Hui Wang and Edward Malthouse

THE PROJECT

Our data came from Canadian Air Miles Reward Program (Air Miles), a large coalition loyalty program which is owned and run by Loyalty One, a division of Alliance Data. The program was launched in Canada in 1992, and 67 percent of Canadian households participate. When consumers make purchases at participating retailers – which includes more than 100 companies in practically every consumer goods category – they earn points called “Air Miles.” Air Miles can then be redeemed for merchandise, gift cards, travel or other items.

At the end of 2011, Air Miles announced a policy change - earned points would expire after five years - that affected all existing customers and triggered negative word-of-mouth (NWOM) on their community social media forum. The social media forum is a private site hosted by Air Miles. It requires that members login to post or view other’s posts.



Air Miles members swipe their card or enter their Air Miles reward number at the point of purchase to earn rewards. It is not a credit card, but a loyalty program.

DATA

The timeframe for our analysis began four weeks before the policy change and eleven weeks after the policy change. During this 15-week period, there was no direct, private or community-wide communications between Air Miles and those who were in the group analyzed.

The dataset used for analysis included point accumulation and point redemption data and posting and viewing behavior on the social media community.

The dataset included 75 posters, 110 messages, 713 viewers and a control group of 10,000 members who neither posted nor viewed the NWOM. We also analyzed the 110 NWOM social media posts. We developed taxonomy to distinguish the length and types of posts, and the types of emotions (anger, disappointment and concern) and their intensities to better understand how these relate to subsequent purchase behavior. Each post was analyzed and coded for these attributes. For the purposes of this analysis, point accumulation is a proxy for purchase behaviors.

THE RESULTS

Not all negative word-of-mouth is the same, and there are significant differences in subsequent behaviors among posters and viewers.

1. Viewing NWOM had a negative effect on future purchases. Point accumulations, our proxy for purchase behavior, decreased by 12 percent and purchase frequency by 5 percent. NWOM viewers seem to absorb and

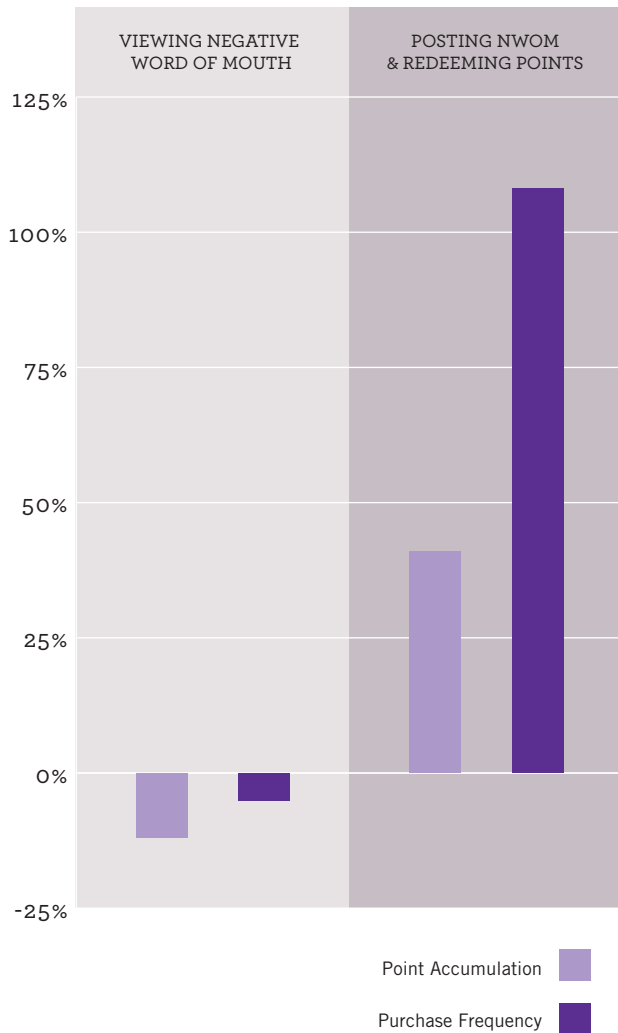


Figure 1. Viewing NWOM decreased future spending. Posting NWOM increased it (if given a chance to experience the value of the brand.)

internalize the online negativity and it affects their purchase behavior. (See Figure 1.)

- Posting NWOM increased purchase behavior, if members then experienced the value of the brand (i.e. redeemed or accumulated points). Point accumulation among negative posters increased by 41 percent. Purchase frequency increased by 108 percent. We believe this could either be a “venting” effect, posters get their anger off their chests or a “guilt” effect because they know that

their NWOM could negatively impact the company. (See Figure 2.)

- Customers who post strong negative emotions are likely to decrease spending, whereas customers who post negative emotions less intensely or simply post concerns are likely to increase spending.
 - Those who expressed anger decreased point accumulation by 5 percent and decreased purchase frequency by 3 percent.

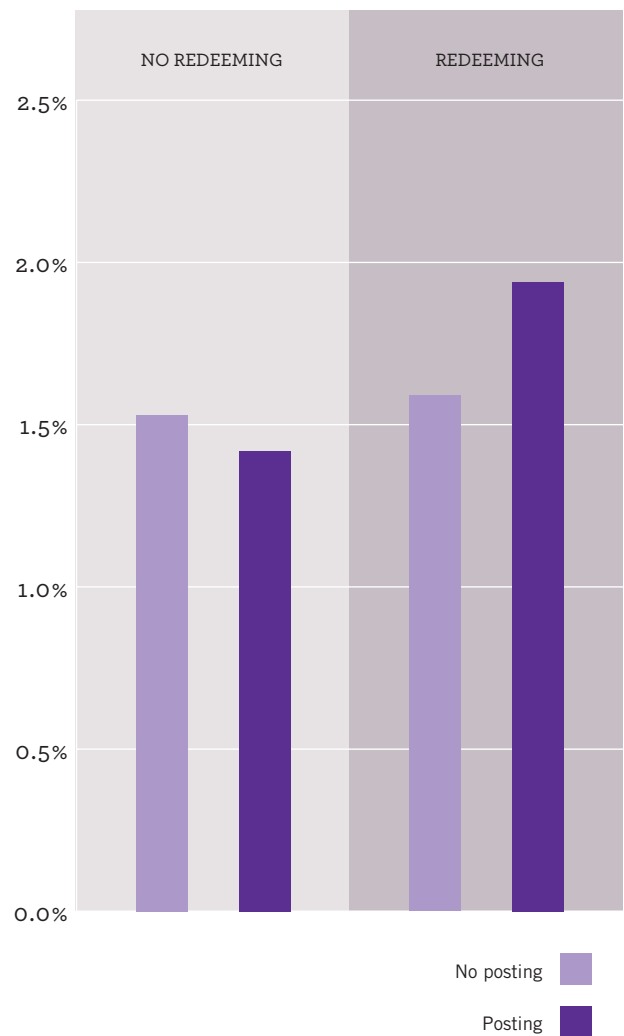


Figure 2. Posting NWOM can be beneficial if your customer is reminded of the benefits of your brand.

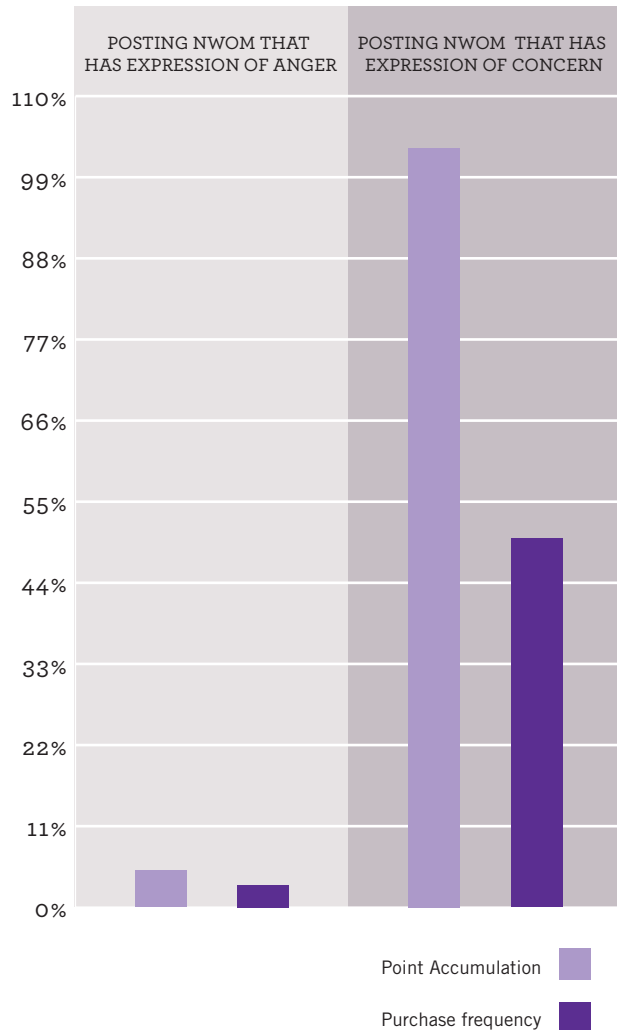


Figure 3. Purchase behavior of Angry v. Concerned NWOM posters.

- Those who expressed concern increased point accumulation by 104 percent and increased purchase frequency by 50 percent. (See Figure 3.)

AREAS FOR FUTURE RESEARCH

Dealing with NWOM well provides marketers the chance to remind customers of the core value of their brand and to interact with some

of the most engaged customers in a relevant way that can affect purchase behavior. This research raises questions in several key areas.

1. These results are for one product category – loyalty programs – so therefore may not be generalizable to other product categories. These results were generated from the introduction of an expiration date which affected everyone in the community somewhat negatively. Further in-market experiments can be done to validate these results. Additionally, research in other categories should be done regarding NWOM generated in a more general context and from diverse industry types.
2. We also found that several distinctive negative emotions such as anger, disappointment, concern, surprise, confusion, and doubt are expressed in NWOM messages. We demonstrated that different types of emotions may have different effects on purchase behaviors. Further research is needed on how best to respond to angry customers and concerned customers. Should response be public or private?
3. And further research is needed on how best to communicate with viewers of NWOM. Are NWOM viewers affected by different types of emotions and variable intensities of the NWOM they view? When is private communications better than public, and to whom?