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# Executive summary and implications for managers and executives

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## Executive summary of “The effects of word-of-mouth incentivization on consumer brand attitude”

*This summary has been provided to allow managers and executives a rapid appreciation of the content of the article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.*

The value of positive word-of-mouth (WOM) recommendation has been extensively highlighted in marketing literature. A plethora of studies confirm its powerful impact on consumer attitude towards a product and subsequently on such as purchase behavior, customer loyalty and brand image.

Compared to information disseminated by a firm, WOM exerts considerably more influence on the recipient. Recommendation from another consumer is usually regarded as being impartial and superior in terms of relevance, credibility and reliability.

Microsoft and Ford are reported to be among the major organizations seeking to find ways of creating positive WOM among consumers. This has largely involved encouraging and facilitating conversation between people about their products and services. Labeled “word-of-mouth marketing”, a common aspect of this forceful approach is to offer incentives to those prepared to act as endorsers. Money, discounts and free product samples are among the rewards such individuals can typically earn for recommending a product, service or brand to others. Research indicates that this activity has the potential to undermine the purpose and effectiveness of WOM. People receiving such a recommendation can perceive the action as being akin to that of a sales representative. Trust in WOM is primarily based on the assumption that the referrer is not motivated by any commercial interest.

Use of incentives is likely to increase the likelihood of recommendation. However, the action could have negative repercussions for the brand involved. Those in receipt of such endorsement are prone to lower their perceptions of a brand when they believe that the recommender is seeking personal gain rather than offering sincere advice to a peer. How incentives impact on WOM can depend on the recipient's level of “persuasion knowledge”, which refers to their ability to ascertain that the referrer is acting in ways which indicate a possible commercial agenda.

Type of relationship between recommender and target might impact on how information is received, studies have

indicated. Work has shown that relationships can be classified into four basic types, which vary in the attitudes and behaviors they prompt:

- Communal sharing (CS). This represents connections between closely-bonded individuals within such as family structures. Decision making within these relationships are typically founded on “consensus, unity, and conformity”;
- Authority ranking (AR), which has teacher-pupil relations as an example. Social influence in these associations is top-down and thus characterized by expected obedience to superiors;
- Equality matching (EM), typically reflecting relationships between friends where “give-and-take” and mutual gain is the norm; and
- Market Pricing (MP). The premise here is that such connections are based on cost-benefit ratios and are thus more representative of business relations.

Most WOM studies to date have been conducted in Western societies, where commercial and EM relationships prevail. Research within Asian cultures is minimal by comparison. This void is significant given that the collectivistic nature and high degree of power distance means that CS and AR associations dominate.

Type of reward offered can affect perceptions of WOM. An informational reward is linked to “intrinsic motivation”, whereas external factors drive rewards labeled as “controlling”. Financial incentives offered in return for providing WOM can lead the recipient to believe that the actions of a recommender are less than altruistic. On the contrary, some analysts believe that non-monetary rewards can prompt a more favorable reaction by the WOM target towards both recommender and brand.

It is mooted that “incentivization” of WOM will negatively impact on the brand's image. In addition to the assumed ulterior motives of the referrer, consumers might question a brand's quality if it needs to offer rewards for WOM activities. Other commentators note the potential for unease in social relationships when commercial gain enters the equation.

Response to recommendations can be influenced by relationship type. In an AR situation, for instance, the credibility afforded to status increases the probability of advice from people in authority being heeded. In addition, any expert or credible sources have more to lose and may therefore be seen as less likely to offer biased recommendations. Similar sentiments apply when WOM is given between family members, in this case because of the trust inherent in such relationships. It is also possible that any unfavorable reaction to incentivized recommendations will be minimal.

Pongjit & Beise-Zee examine these issues in a study involving 645 undergraduate students aged 18 to 25 attending a university in Thailand. Subjects were randomly exposed to one of nine scenarios combining three levels of WOM incentivization with three relationship types. The scenario involved a person recommending a fictitious mobile service brand, chosen because evidence suggests WOM is more influential for services than manufactured items. In the scenario, the recommender was a university professor (AR), a cousin (CR), or a local resident the subject vaguely knows (MP). And there was a monetary reward, a non-monetary reward or a no WOM incentive condition. Participants also completed a questionnaire measuring relevant items.

Findings include:

- WOM is most effective when recommenders are intrinsically motivated;
- rewarding WOM can harm the brand and its perceived trustworthiness;
- incentives prompt the receiver of WOM to question the credibility of the information source and suspect ulterior motives;
- the negative impact on brand attitude is greater when monetary rewards as opposed to non-monetary rewards are used;
- monetary rewards prompt stronger belief that violation of social norms has occurred;
- perception of ulterior motives and norm violation increases with CS and AR relationship types. However, the study revealed that the negative impact does not differ significantly across different forms of relationship. The authors conclude that the brand is only blamed for parts of norm violation it is clearly responsible for;
- source credibility can alleviate belief in norm violation and suspicion of ulterior motives;
- negative impact on brand attitude is greater when a credible recommender is rewarded, particularly when technical expertise is involved; and
- any reward damages brand attitude when credibility is high, but this effect only occurs for low credibility when rewards are monetary.

In the view of Pongjit & Beise-Zee, timing of the incentive could also be significant. It is proposed that WOM which prompts an “immediate buying decision” makes a negative response to the recommendation likelier.

Firms which rely heavily on customer loyalty and a positive brand image are deemed more susceptible to negative consequences of using incentivized WOM. The same applies to those identified as being at risk of “buyer’s regret”. However, certain factors like brand strength or “credence quality” of the offering could also help determine the impact of WOM.

Any rewards offered should be non-monetary and marketing messages need to emphasize that the incentives offered to recommenders do not generate bias or ulterior motives on their part. Given evidence that incentives produce negative results for expert recommenders, the authors advise not to offer rewards to such individuals. It is also noted that companies cannot avoid negative effects of incentivization by confining the activity to certain relationship types. Another suggestion is to target new customers secured through exposure to incentivized WOM with communication that provides assurance about the brand.

Future research might design referral campaigns which limit negative effects on brand attitude and ascertain types of non-monetary rewards that help in this respect. Scholars could also look at the impact of alternative referral schemes that reward one or both sides of the recommendation process. Investigating the effect on brand attitude of different contextual factors is also a possibility.

To read the full article, enter 10.1108/JPBM-11-2014-0752 into your search engine.

*(A précis of the article “The effects of word-of-mouth incentivization on consumer brand attitude”. Supplied by Marketing Consultants for Emerald.)*