

Important Information in Word of Mouth Communication: Acquisition vs. Dissemination

Luke Greenacre, Paul F. Burke, Sara Denize, University of Technology, Sydney

Abstract

This paper proposes a new conceptual framework to understand word of mouth communication. It shifts the focus away from the present emphasis on the receiver and their acquisition of information, to highlight the role of the consumer as a sender and their decisions to disseminate information. A framework to understand the consumer's 'decision to disseminate' is proposed using Random Utility Theory and Information-Processing Theory. This conceptual framework integrates extant literature concerning the structure and flow of word of mouth networks and offers a new theoretical and methodological approach to investigate word of mouth phenomenon.

Introduction

Word of Mouth (WOM) communication is used by consumers in almost all of their purchase decisions (Whyte, 1954). Despite long standing research interest there are numerous questions that remain regarding the phenomena. Few of these are more fundamental than the question regarding what information is considered important by consumers when they are communicating using WOM. Existing literature is dominated by two main perspectives that we have called the 'macro' and 'micro' perspectives. The macro perspective emphasises the flow of information through WOM networks while the micro perspective puts emphasis on the receiver of information in the sender-receiver dichotomy. Neither perspective addresses how to characterise important information nor do they provide an adequate conceptual framework for understanding the nature of this information.

This paper will review the existing literature and propose a more comprehensive conceptual framework of WOM that offers the opportunity to understand the nature of the information that is communicated by consumers. Departing considerably from the present literature, this new conceptualisation does not view WOM as a 'passive diffusion process' where information is acquired by receivers of information (Frenzen and Nakamoto, 1993). Instead it focuses on the consumer as a sender and their active decisions to disseminate information using WOM communication. The benefit of this new conceptualisation is that it provides an opportunity to understand what information will be disseminated by consumers using WOM, while still accommodating the rich range of phenomenon presently identified in the WOM literature. Such insight will offer managers some ability to understand and predict the nature of the information that will be chosen by consumers for dissemination using WOM, permitting this medium to be managed more effectively.

The Macro Perspective on WOM

Early research on WOM has been dominated by social network studies, which have been concerned with describing the flow of information between individuals (Granovetter, 1982). Although this research provides an account of how information travels through a complex network of individuals based on the strength of the relational ties between them it fails to

address the nature of the information disseminated (Brown and Reingen, 1987; Burt, 1999; Granovetter, 1973; Wirtz and Chew, 2002).

Social network theory also proposes a number of conditions under which information dissemination will or will not occur. These conditions are highly varied and examine many different facets of WOM communication. They include the nature of the social structure within which dissemination occurs (Burt, 1997; Frenzen and Nakamoto, 1993); the level of intimacy and regularity of contact (Burt, 1997); the importance of ‘opinion leaders’ and ‘opinion brokers’ for disseminating information (Burt, 1999); the degree of attitudinal and demographic homophily among the individuals (Gilly *et al.*, 1998); the moral hazards associated with cooperating and sharing information (Frenzen and Nakamoto, 1993); differences in social class (Frenzen, 1995); the effect of incentives promoting dissemination and the level of satisfaction with the purchase experience (Wirtz and Chew, 2002); among others.

These theorists have provided important insight regarding performance based aspects of social networks in WOM communication (i.e. the mechanisms by which social networks enable information dissemination) and the situational contexts which impact on dissemination. The failure to address the nature of the information a consumer will choose to disseminate presents a considerable gap in this literature.

The Micro Perspective on WOM

The micro perspective offers the simple characterisation that WOM communication involves the transfer of information from one individual (the sender) to another individual (the receiver) (Frenzen and Nakamoto, 1993). The body of work dominated by this view acknowledges that complete information cannot be communicated using WOM (for examples, see Brown and Reingen, 1987; Price and Feick, 1984; and Yale and Gilly, 1995). Despite this further exploration of the nature of the information that is communicated is rare. This poses potential problems to the further development of the understanding of how consumers use WOM.

The principle focus of the micro perspective is on the receiver and their information search behaviours (with little attention to the sender). Using both economic and behavioural theories these researchers offer accounts of how individuals determine what information to prioritise in search-acquisition and what information should not be acquired (Simonson, Huber and Payne, 1988; Yale and Gilly, 1995).

Economic theories present individual receivers as ‘calculative’ – assigning a value to information as a compromise between the costs associated with acquiring it and the likely benefits from using it (i.e. an increased ability to differentiate between alternative decision options) (Ratchford, 2001; Simonson, Huber and Payne, 1988). This view is problematic since the level of differentiation offered by the information can only be known after acquisition and as such fails to offer a stable a priori definition of ‘important’ information (Ratchford, 2001). In contrast the behavioural perspective focuses on the specific activities that individuals undertake when searching for information. They observe that individuals often seek information in decreasing order of attribute importance and will terminate information search once a personally preferred set of information concerning the most important attributes has been acquired (Saad, 1999; Saad and Russo, 1996).

The problem with focusing primarily on the receiver when considering the nature of important information for WOM communication is that the receiver does not determine what information is communicated. Although the receiver may have preferences regarding the information to acquire and will exert influence to have these preferences met, ultimately the sender decides what information is important for dissemination. Therefore it is vital to examine the decision making process of the sender, and the trade-offs that they make regarding what information is important for dissemination.

There is a small body of work in the WOM literature that has, to varying degrees, attempted to accommodate the control the sender has over dissemination. This literature asserts that for information to be selected for dissemination by the ‘consumer as a sender’ it must be considered important (Brown and Reingen, 1987; Frenzen and Nakamoto, 1993). The method by which an individual determines this importance is often assumed and is usually only characterised as ‘concerning an important product feature’ (Arndt, 1967; Frenzen and Nakamoto, 1993; Gilly *et al.*, 1998; Grewal, Gotlieb and Marmorstein, 1994). The assumption that important information concerns important attributes has never been empirically tested, and no theoretical justification has been provided for this view. The lack of a clear conceptual framework to understand the sender’s decision to disseminate information to a receiver presents a considerable gap in the present literature that this paper now addresses.

A New Theoretical and Methodological Perspective on WOM

We propose a conceptual framework that draws on Random Utility Theory (RUT) and Information-Processing Theory to provide a specific theoretical explanation for the consumer–sender’s decision to disseminate information. We retain the simple sender–receiver dichotomy, and include the product context and the nature of the relationship between the sender and receiver as key moderating variables.

The sender can be any consumer that has ‘some’ information regarding the product or service, and the physical ability to convey this information to another consumer. It is important to note that the information held by the sender may have come from many source(s), which may or may not include prior purchase experience. Here we do not deal with the impact of the sender’s prior experiences or the size of the information set available to them on WOM dissemination preferences. However, we note that these variables could be accommodated within the model, and as such are discussed in the concluding section on recommendations for further research.

To understand the sender’s decision to disseminate it becomes necessary to consider their motivation to choose different information for dissemination. RUT considers the often unobserved processes inherent in choice behaviour (Thurstone, 1927). It asserts that an individual will inspect and evaluate the available alternatives and will assign a utility, or ‘preference ordering’, to each alternative using its properties and characteristics. This individual will then use the utility of the alternatives to discriminate between them. The individual will select the alternative that maximises the utility derived from the decision (Louviere, Hensher and Swait, 2000; Thurstone, 1927).

Here we apply this theory to the ‘choice’ to disseminate information. We assert that the different pieces of information are analogous to alternatives in product choice. This presupposes that information can have utility – support for such a view can be found in Information-Processing Theory. This theory suggests that individuals process information

about an alternative, and the attributes comprising that alternative, to inform their evaluation (Bettman, 1979; Hagerty and Aaker, 1984; Payne, 1976). This indicates that information has some value to the decision-maker in supporting his or her ability to discriminate between the products available. This value is an indicator of the utility of that information. We argue that the utility of information is determined by the characteristics of the information, and thus enables the sender to make trade-offs between the different pieces of information.

The sender does not make the decision to disseminate without reference to the receiver. In WOM it is the receiver of the information, and not the sender, that undertakes the evaluation of alternative products. Subsequently, we argue that the sender will choose information for dissemination that will maximise the utility of the information for the receiver, improving his or her ability to evaluate the product alternatives. In the theoretical situation where there is no information available to the sender about the receiver, the sender would use his or her own information preferences as the guide regarding what to choose to disseminate. The impact of the receiver on the decision to disseminate can thus be considered the differences between the information preferences of the sender and what is actually chosen for dissemination, *ceteris paribus*. This conceptualisation presumes altruistic motives on the part of the sender. This presumption is plausible given a receiver is most likely to request information from a sender with whom they have a suitable relationship and/or that they expect to act in their best interest. The framework also accommodates the preferences of the receiver for different information as the influence exerted over the sender's decision regarding the information to disseminate. With knowledge of the receiver's information preferences, and other possible receiver characteristics, it becomes possible to incorporate this influence into models of the decision to disseminate.

The product context refers to the nature of the product or service that is being discussed and is accommodated into this conceptual framework as an *ex ante* variable. The information desired by the receiver and the information chosen for dissemination will depend on the nature of the product or service in question. Different product categories have different levels of information available to consumers, impacting the information set that sender's have available to choose from. Such issues as the knowledge or expertise of the sender and receiver of this information can now be considered as a separate issue to information availability (Gilly *et al.*, 1998).

The nature of the relationship between the sender and receiver is the final dimension in the framework. We contend that the strength of the relational tie will act as a moderator of information choice. This offers a particularly useful tool for those interested in the flow of information through social networks, as the nature of the information flowing and any resulting changes in the flow as it progresses through different areas of the network can be modelled. This permits the combination of both the macro and micro perspectives into a unified theory previously not possible.

In implementing a sender dissemination model of WOM communication, it will be important to characterise the different types of information available for selection. Such characterisation will enable researchers to model the decisions of senders' so that the trade-offs between different types of information can be observed. As a result any potential moderating effects arising from the receiver's characteristics, the product context, and the nature of the relationship can also be seen. The present WOM literature has asserted that important information for dissemination concerns an important attribute but fails to provide a theoretical justification, or even compelling evidence, to support the assumption (Arndt, 1967; Frenzen and Nakamoto, 1993; Gilly *et al.*, 1998; Grewal, Gotlieb and Marmorstein, 1994). Using this

conceptual framework there is now clear theoretical support for this assumption. Information concerning an important attribute offers the receiver the opportunity to differentiate between the product alternatives on the most important dimensions of the product.

Drawing on literature discussing decision making it can also be seen that the role of information is to allow for the discrimination between the alternatives available for selection by reducing the risk and uncertainty that results from any inference-making undertaken to compare alternatives (Hagerty and Aaker, 1984; Murray, 1991; Saad, 1999). This concept of risk and uncertainty has been characterised empirically as the variability surrounding the preference, or weight, ascribed to an attribute (Meyer, 1981). Information can then be characterised by the importance of the attribute it concerns and its impact on the variance surrounding preferences. This conceptual framework offers the opportunity to test whether such characterisations of information are useful when attempting to understand what information is considered important for dissemination.

Conclusion

Present conceptual frameworks of WOM communication have been dominated by the macro perspective of flows of information through networks, or micro perspectives that emphasise the role of the receiver and their acquisition of information. We have proposed a new theoretical perspective that emphasises the role of the sender of information. We assert that the framework provides the means to understand the nature of the information that will be disseminated in WOM communication. Although not unreasonable, the assumption of the altruistic motives of the sender presents a limitation in representing WOM behaviour in real systems. However, this framework provides the basis for testing the assumptions and theories in the WOM literature.

Future research should examine the nature of the information that is most likely to be disseminated by WOM through simple choice experiments of the sender's decision to disseminate different types of information. These choice experiments can also be used to observe the moderating effects of the characteristics of the receiver, the nature of the product being discussed, and the nature of the relationship between the sender and the receiver on the choice of information. Future research should also be directed to further investigate the merit of the altruism assumption by examining the impact of negative relationships on WOM communication.

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