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IMPACT OF PROMOTION CHARACTERISTICS ON CONSUMERS' PARTICIPATION IN DISCUSSION OF PROMOTIONAL DEAL OFFERS

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ABSTRACT

Marketers now live in a "reputation economy" where online review sites allow consumers to rate every aspect of a firm including its promotions. However, much of the attention of marketers is devoted to how to handle negative ratings. Indeed, marketers have been trying to encourage more consumers to provide ratings in the belief that wider participation in rating behavior will dilute negative reviews from these frequent reviewers. To assess whether efforts to encourage more consumers to rate promotions is advisable, this study examines the drivers of the ratio of consumers aware of promotion to the number of ratings. Thus, the purpose of this study is to investigate when and why infrequent raters come out of 'lurking' status to rate the deal in online consumer evaluation of promotions. To investigate this research question, we gathered data on the evaluation of promotions posted on a C2C promotions forum website, which allows consumers to post ratings of promotions. The results from this study revealed that a higher number of votes is being fueled by infrequent raters who do not rate or reply to others' postings on a regular basis. More importantly, when the overall evaluation of the deal is negative, the bandwagon effect tends to occur more frequently. Thus, there is not only clear evidence of bandwagon effects by less frequent raters, but these effects exacerbate negative ratings rather than offset them. Moreover, promotions with limitations or restrictions are more prone to this negative outcome.

Key words: e-commerce; online consumer behavior; promotion; word-of-mouth marketing
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1. INTRODUCTION

Online word of mouth (WOM) is becoming one of the most popular corporate promotionalvehicles. Companies are increasingly dedicating resources to WOM strategies designed to generate positive WOM or "buzz" about its products and promotions. According to PQ Media research (2009), spending on WOM rose 14.2% to 1.54 billion dollars in 2008.Prior researchhas documented the benefits of online WOM, including the effect of WOM on sales (e.g., Godesand Mayzlin 2004; Balter and Butman 2005).While earlier research on how WOM influences theconsumer decision making process focused on face to face interactions (Bearden and Etzel 1982), the rise of online WOM has created new avenues for consumers to spread, and be influenced by, WOM. Among the most prominent examples are the online review systems found on many of the highest traffic retail sites such as Amazon.com and eBay.com as well as many user forums. Recent work has shown that firms benefit from positive reviews and are harmed by negative reviews from consumers (Zhu and Zhang 2010).

Current research has focused on the role played by the volume and users' participation of online WOM, arguing that high volumes of WOM communication provide greater benefits than low volumes of WOM (e.g., Chevalier and Mayzlin 2006; Basuroy et al. 2003). This focus on volume is not surprising since online environments allow for previously unprecedented numbers of consumers to interact and express their opinions. However, other research suggests that volume alone is not sufficient to ensure that WOM is influential. Specifically, prior research shows that it is not just what any one review says, but also the overall *ratings and replies* that are given byusers who contribute to spread the WOM (West and Broniarczyk 1998; Khare et al. 2011). On online review sites, consumers canengage in various forms of interactions, such as writing reviews, rating products or brands,and forwarding others' comments to friends (Chevalier and Mayzlin, 2006; Hennig-Thurau et al., 2004; Libai et al., 2010).Participation in WOM refers to the level of involvement of website users between consumers' reviews, such as replying to other users' postings, or giving feedback ratings (West and Broniarczyk 1998). In highly participated WOM, there is a high number of feedbacks and replies among consumers regarding the merits or failings of a product.

The high volumes associated with online WOM allow for extremes at both ends of the spectrum of participation to form. At times, consumers can be nearly unanimous in their ratings. At other times, these ratings can show sharp divides between consumers with no general users' participation discernable. Despite the documented importance of users' participation to making WOM influential, there has been remarkably little research on what factors contribute to or detract from the formation of level of participation. Prior research on the influence of WOM has focused on the role of source characteristics such as reputation in making a particular WOM communication influential (e.g.,Trusov et al. 2010; Gershoff et al. 2001; Feick and Price 1987; Bone 1995). But it is unclear whether these source characteristics also play a role in the subsequent formation of level of participation.

Moreover, while the extant research on such source effects has focused primarily on WOM about products, WOM marketing campaigns frequently involve encouraging WOM about promotions (PQ Media 2009). Research on the evaluation of promotions has primarily focused on the role played by promotional characteristics such as discount amount (e.g., Barone and Roy 2010; DelVecchio et al. 2007; Inman et al. 1997; Lu and Moorthy 2007; Lynn and Harris 1997).

Relatively little research has been conducted on WOM about promotions in general. To the best of our knowledge, nostudies have considered how favorable and unfavorable review is formed in regards topromotions or "deals."

Thus, the purpose of this study is to investigate when and why infrequent raters come out of the woodwork to rate the deal inonline consumer evaluations of promotions. To investigate thisresearch question, we gathered data on the evaluation of promotions posted on the highest traffic "hot deals" website on the Internet. The organization of the paper is as follows. We first review relevant literature about WOM,online reviews, and promotional deal characteristics. Then, we empirically investigate the influence of source characteristics and deal characteristics on consumers' deal evaluationparticipation. Finally, the marketing implications of the findings are discussed.

2. LITERATURE REVIEW

Online WOMis the extension of traditional WOM to the online environment. Hennig-Thurau et al. (2004) defined online WOM as "any positive or negative statement made by potential, actual, or former customers about a product orcompany, which is made available to a multitude of people and institutions via the Internet."Thus, online WOM is different from traditional WOM in many ways. For example, online WOM requires online communication nodes, such as the Internet or mobile network. Thus, online WOM is not limited by geographical location and time, and unlike traditional WOM communication, it is in a form of many-to-many communication, rather than one-to-one or one-to-many communication. Also, online WOM takes a multitude of forms. It can be in the form of emails between friends, messages posted on forums, or evaluation scores provide through online review platforms.

Furthermore, online WOM carries the potential for a bigger influence on other consumers' decision making than traditional WOM since the number of parties involved in communication is a lot higher than face-to-face communication. This is especially true of reviews and evaluation scores posted to high traffic websites, which have been shown toinfluence sales (e.g., Chevalier and Mayzlin 2006; Chen and Xie 2008). Consumers are likely to search others' opinions to reduce uncertainty as to the perceived risk associated with the purchase (Roselius 1971). For example, favorable WOM content from other consumers increases preference, and in contrast, unfavorable WOM content reduces other consumers' preference of a WOM target (Chevalier and Mayzlin 2006; Duan et al. 2008). In line with this, retail websites, such as Amazon.com and BestBuy.com, provide opportunities for consumers to rate products with numeric star ratings while other websites such as Slickdeals.net offer a bipolar two-way feedback system, using either "thumbs up" or "thumbs down" ratings.

However, studies also show users' participation on commenting and rating the WOM message matters on consumers' decision making when they are looking at other consumers' reviews. Hoffman and Fodor (2010) argued that number of page views, number of page visits and number of individual replies are important measure of ROI in social media marketing in forums and discussion boards. Public online environments such as online review sites thus notonly provide consumers with a platform on which to articulate their opinions and experiences,they in fact offer a place where consumers can engage in various interactions with otherconsumers(Goldenberg et al., 2010; Kim et al. 2014; Hinz et al., 2011; Kozinets et al., 2010; Watts and Dodds, 2007). Basically, there is a baseline ratio made up of those who rate others' WOM messages in a regular bases. In this case, the ratio of number of clicks to read the WOM message and number of ratings by those who rate the postings (P-L ratio) should be constant if the "regulars" are the only ones

who replies to the postings. However, in reality, it is not the case. There are also infrequent raters in social media sites who usually lurk but occasionally rate others' postings. This result in variance in the ratio between lurkers and repliers specially lowers the ratio. When this happens, there is a "pile on" effect that can make certain postings highlighted as a hot topic in the social media site.

Notably, the research on WOM, has focused on WOM about products. However, consumers also engage in online WOM about promotions. High traffic websites such as Slickdeals.net and FatWallet.com allow consumers to post promotions that other consumers can then evaluate. Consumers on these sites produce large lists of promotions and associated aggregate evaluation scores similar to the product ratings on Amazon.com that prior research has studied. Furthermore, the online aggregate evaluations of promotions show considerable differences in the level of P-L ratio. While P-L ratio in consumer evaluations plays an important role in how influential aggregate consumer ratings are, it is unclear what drives the ratio.

According to these arguments, following hypotheses are generated:

H1: Higher number of votes is being fueled by infrequent individual repliers.
H2: Higher number of views is being fueled by infrequent individual repliers.

Research on group behavior has found that external pressure decreases P-L ratio (Cialdini and Trost 1998). In the case of promotional "deal" offers, these pressures take different forms. For example, a bandwagon effect can force consumers to behave as a group. Becker (1991) argues that use of goods involves a social aspect in which other people use or consume the product in public. Also, Cialdini and Trost (1998) argued that people tend to follow others when there is a pressure to conform. Promotions differ from products are they often carry terms and conditions that require timely action in order to redeem. While promotions are by their nature for a limited time, some promotions involve particularly short limits such as "8am to noon this Monday ONLY!" (Inman et al. 1997).Inman et al. (1997) suggest that quantity and time restrictions influence consumers' evaluation of a promotion by serving as quality signals. They examined the impact of three typical types of limits in promotions: limited time offers, promotions with limited quantity, and promotions with purchase pre-conditions. Their results indicate that including a time or quantity restriction in a promotion actually enhances the evaluation of the promotion. Research on product availability and out of stock situations has found that consumers evaluate offers more favorably when a product is consistently available, and less favorably when it is not (Fitzsimons 2000; Sinha et al. 1999). Thus, when the promotional offer has limited quantity, limited time to redeem, or even when it is not certain that consumers would be able to redeem the deal, we argue that consumers will be more active to the deal information leading to decreased P-L ratio.

H3a: Limited quantity promotions producelower P-L ratio.
H3b: When it is not certain that the deal offer is redeemable, P-L ratio will be lower.

Interestingly, prior research on the role of P-L ratio in reviews has treated favorable or positive P-L ratio as analogous to unfavorable or negative P-L ratio. However, is P-L ratio in a positive and negative direction formed differently? In other words, it is unclear whether the drivers that lead to a positive P-L ratio differ from those that lead to a negative P-L ratio. Prior literature suggests that individuals in agroup find it easier to agree on desirable courses of actions, but that larger groups find it more difficult to reach P-L ratio on how to respond to potentially negative outcomes (West and Broniarczyk 1998; Khare et al. 2011). This suggests that an interaction exists

between the number of people evaluating a promotion and the valence of P-L ratio. Thus, we offer the following:

H_{4a}: The more consumers who are infrequent raters evaluating a promotion, the lower the P-L ratio when the evaluation outcome is positive.

H_{4b}: The more consumers evaluating a promotion, the higher the P-L ratio when the evaluation outcome is negative.

3. STUDY CONTEXT

To maximize the contribution to both the literature and practice, we gathered data from an Internetforum of the highest trafficdeal-related website on the Internet. The website hassomeof the highest web traffic on the Internet—ranking 82^{nd}in the United States as of July 13, 2015, ahead of well-known websites such as Southwest.com, Yellowpages.com, and Gmail.com (*Alexa* 2015). It is a consumer-to-consumer forum website, which allows consumers to post information about promotions that they havereceived. The information that is posted by users includes price, store name/website, discount amount, discount percent, discount type, limitations, and product information.Also, users of the website post dealsthat are then rated by other website visitors, either positively or negatively. Thus, for each promotion, an overall evaluation is available indicating how favorably or unfavorably the promotion is assessed with the number of votes that each deal posting received.

The data was collected in three stages: data retrieval, sample selection, and data processing. In the first stage, data were retrieved for 11,354 promotions posted by 2,356 different members of the forum. During that period, the promotions had been commented on 157,508 times by other users and clicked a total of 35,910,041 times during the 24 days of the first stage data collection.During the first stage of data collection, we collected the data every 15 minutes to ensure freshness of the data, since the user reputation score associated with the user that posted a deal reflects their status at the time the deal was posted. With the massive number of visitors to the website, the reputation score can rapidly change whenever the poster receives user feedback from viewers.

In stage two, a sample of 1,000 deal postings was selected. Due to the high level of activity, many of the deal postings were still active with users still providing evaluations. Thus, the evaluations for these deals may be incomplete. Therefore, we chose to focus on promotions that had no activity for three months. After this time frame, deal postings become hiddenunder thousands of new deal postings and have typically expired. The resulting data comprised 5,851deal postings. From this, a random sample of 1,000 dealswas selected to be analyzedand coded. In stage three, the promotional characteristics of eachof the 1,000deal postings were content-coded by hand. Each variable and its operationalization are described below.

3.1.P-L ratio of User Evaluation of Deals as a Dependent Measure

The overall evaluation score for each deal posting is based on the aggregate votes by members of the forum. An individual user can give a promotiona "thumbs up" if the user liked the promotionposting or "thumbs down" if the user did not like the promotion.Eachforum member can only rate a promotion once. The sum of these votes produces an overall evaluation score indicating how favorably or unfavorably the forum usersevaluated the deal. For example, for a given deal, if 10 members voted "thumbs up" and another2 members voted thumbs down, the overall evaluation score would be 8. Technically, the final evaluation score can range from $-\infty$, indicating a

negativeevaluation, to +∞, indicating a positive evaluation. The website also provides the total number of votes that were given by other users in each deal posting.

For this study, we calculated P-L ratio by dividing the number of views (ranging from 1to ∞) by each promotion's total number of votes (ranging from 1 to ∞). Thus, our dependent measure ranges from 1 to ∞. This measure captures the degree to whichuserslurk or participate when they visit the deal forum website as well as whether the overall evaluation is negative or positive. For example, if 100 users viewed the deal and 4 users commented (replied), the P-L ratio will be 25.. However, to test the hypothesis, we needed to include the positive or negative valence as an independent variable in the general linear model. Therefore, we used a dummy variable, indicating whether the overall evaluation of the individual deal was negative or positive. The dependent measure, P-L ratio, was constructed by dividing number of views by number of votes in each individual deal postings.

3.2.Independent Measures

The independent measures consisted, number of votes that each promotional deal posting received, number of views of the deal posting by others, and promotional deal characteristics including: time and quantity limited deals;and uncertainty of deal redemption. Lastly, a dummy variable that indicatesthe valence of the overall evaluation is included as an independent measure.

Number of Views on Each Posting (NVW). This numeric variable reflects the actual number of clicks that each "deal" or promotion posting received from other users. This measure reflects the level of interest that a given promotion generates.

Number of Votes on Each Posting (NVT). This numeric variable reflects the actual number of feedback votes each promotion receives. Since a user can only rate a given promotion once, it reflects the size of the group of consumers evaluating it.

*Limited Use Deals (LMT).*Some promotions are available for short periods or limited number of items, even though all promotions are time and quality limited by nature. Such promotions give consumers a limited time to respond. If the description indicates such a limit, it was coded as 1. Otherwise, it was coded as 0.

Uncertainty of Deal Redemption (UDR). This dummy variable reflects whether the deal was discussed as possibly not redeemable to all consumers. Each of the 1,000 posted deal descriptions and 12,878 responses were content analyzed. If any members stated that the deal was not redeemable to them for any reason, it was coded as 1. Otherwise, it was coded as 0.

Negative DV Dummy (NDM) This dummy variable indicates whether the overall score of deal evaluation measure has negative value or not. It was coded as 1 if the consensus measure was negative. Otherwise, it was coded as 0.

4. MODELS

To test our hypotheses, we used a series of general linear regression models with the dependent variable, ranging from 34.95 to 9391.09.We used robust standard errors in our analysis, as this provides a more conservative and robust estimation (Chou et al. 2011). In our analysis, weincluded an independent dummy variable indicating whether overall evaluation of the deal was negative or positive.Modelswereestimated with Stata 13.1.

$P\text{-}L \ ratio \ of \ Users' \ Participation_i = \alpha + \beta UDR_i + \beta NVW_i + \beta NVT_i + \beta LMT_i + + \beta NDM_i + \varepsilon_i$

5. RESULTS

The resultsof the regression model appear in Table 1. Unstandardized coefficients, robust

standard errors, and p-values are reported. Possible multicollinearity was explored, and all of the variables showed acceptable VIFs (all VIFs < 5, O'Brien 2007). Furthermore, the number of views received by each promotion is included in the model to account for differences in level of interest.Promotions with higher number of views was significant (NVW: number of views:β =-84.9432, $p<.001$) to support H_1. Number of votes was statistically significant (NVT: number of votes: $\beta = -31089.4$, $p< .001$). This suggests that the size of the group of consumers viewing and evaluating a promotion, supporting H_1 and H_2.

Table 1. Results for Model

Model: *P-L ratio of Users' Participation $_i$ = α + βUDR_i + βNVW_i + βNVT_i + βLMT_i + + βNDM_i+ε_i*

Variable	Model (1): N=1000		
	Coefficient	Robust SE	*p*
Intercept	9814.451	10953.24	0.370
UDR	-149487	57425.45	0.029*
LMT	−110023.6	50468.15	0.01**
NDM	70985.11	21307.71	0.01**
NVT	-31089.4	5061.584	0.01**
NVW	84.9432	13.18289	0.01**
R^2	0.8441		

Where, UDR: Uncertainty of Deal Redemption; LMT: Limited Use Deals; NDM: Negative DV Dummy;
NVT: Number of Votes on Postings; and NVW: Number of Views on Postings

The results for models that contain limited use deals (LMT: $\beta = -110023.6$, $p< .001$), , and deals that are not available to everyone (UDR: $\beta = -149487$, $p< .001$) have lower P-L ratio in deal evaluation.This provides support for H_{3a} and H_{3b}.Finally, the negative overall deal evaluation score dummy (NDM) was significant (NDM: β =70985.11, $p< .001$). This is consistent with the argument to generate the H_{4a} and H_{4b}.

6. DISCUSSION

Prior research on online WOM suggests that P-L ratio plays an important role in how influential online WOM is. The purpose of this study was to investigate the drivers of P-L ratio for a particularly prevalent form of online WOM: user evaluations of promotions. This study extends our understanding of online WOM and promotions.First, it reveals thathigher number of votes are being fueled by infrequent raters who does not rates or replied to others' postings in regular bases. Second, higher number of views, in other words, count of "clicks" in each individual deal postings is being fueled by infrequent raters.Third, among promotional deal characteristics, deals that have limitations in terms of number of items and time limits and deals that are not 100% to be redeemabledecrease the P-L ratio that can generate the pile on effect for those specific deals. When the "pile on effect" occurs, the individual deal posting becomes a popular topic in that webpage.Especially, when the overall evaluation of the deal is negative, the pile on effect tends to

happen more frequently. In other words, the more votes on a negatively evaluated deal by other users fuels the plié on effect. Common wisdom of promotions in the opposite of the findings of this paper, because if pile on effect occurs, the topic is considered to be more popular than those do not have the effect.

In conclusion, from the findings of this paper, deals that are not certain to be redeemable, deals that are limited by time and quantity, and poor deals are the driers to contribute to the pile on effect to occur. Furthermore, for marketers, pile on effect is a bad thing when they want to use the deal forum websites as their promotional vehicle. The infrequent raters only come out from their "lurker" status only when they want to spread negative WOM about marketers' promotion. They seem to enjoy running promotions down, not supporting them. Lastly, we can say that it is not a good idea for marketers to encourage infrequent raters to come out of their "lurker" status. The more people, especially those who do not rate or reply to the deal postings in a regular bases, the more likely the marketer to end up with a detrimental "pile on" effect that leads to a very low evaluation of their promotion.

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