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Organizational Responses to Negative Online Consumer Reviews:
Effects on Producer, Product and Reviewer Evaluations

Peter Kerkhof

Dept. of Communication Science

VU University Amsterdam

The Netherlands

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Abstract

Online consumer reviews can have strong effects on consumer behavior, especially when they are negative (e.g., Chevalier & Mayzlin, 2006). Many organizations struggle with the question how to deal with online forums that discuss their products and services. In this paper, we report about a study in which different organizational responses (apologies, refutation, no response) to a negative online consumer review were tested in an experiment. No effects were found on product evaluation, but the results show that refutation of the claims in a negative consumer review leads to lower corporate credibility and to higher reviewer credibility, whereas apologizing had no effect on these variables. Both apologizing and refutation (as opposed to not responding) made participants rate the complaint in the review as more severe. The effects on the evaluation of the review(er) were moderated by prior brand involvement: those high in involvement with the brand that was discussed were more affected by the organizational response. The results are discussed in terms of possible underlying processes and practical implications.

Organizational Responses to Negative Online Consumer Reviews:

Effects on Producer, Product and Reviewer Evaluations

Whether looking for a new digital camera, a Greek restaurant, a real estate broker or a hotel in Amsterdam, most consumers nowadays routinely use consumer reviews to make up their mind and to inform themselves about the qualities of the product or the service that they intend to purchase. Several studies have shown that consumer choices are affected by reading online reviews and that product sales can be predicted from the content and valence of online reviews (e.g., Chevalier & Mayzlin, 2006; Dellarocas, Zhang, & Awad, 2007). It should not come as a surprise that many organizations feel the urge to intervene in online consumer review sites, either by promoting positive reviews or by responding directly to negative reviews. For example, on www.4hoteliers.com hotel owners are advised to immediately react to negative online reviews by apologizing, by explaining why and how things went wrong and by offering a direct line of communication (Starkov & Mechoso, 2008). Also, numerous classes are being offered on online reputation management that teach organizations how to respond to negative consumer reviews.

To our knowledge, no research exists that poses the question how responding to negative online reviews affects consumer judgment. In this paper, we will present a study that tests how different organizational responses (apologizing vs. refuting vs. no response) affect evaluations of the product, the producer and the review(er). Since no other studies on this topic exist, we will draw upon the public relations and services marketing literature to derive hypotheses regarding the effects of different kinds of organizational responses on consumer judgments.

The effects of negative online reviews on consumer judgment and behavior

A recent report by Deloitte claimed that two thirds of consumers use consumer reviews prior to a product purchase (www.marketingcharts.com, 2007) and the large majority (over

80%) of this group states that their purchase decisions are affected by the reviews that they read. Recent studies on the effect of consumer reviews confirm these self-reports on the influence of consumer reviews on purchase decisions. In a study that compared book reviews and sales at Barnesandnoble.com and Amazon.com, Chevalier and Mayzlin (2006) find that book reviews affect sales, especially when the reviews are negative. Similarly, Dellarocas, Zhang, and Awad (2007) find that online consumer reviews predict movie revenues, even when controlled for prerelease marketing and for reviews by professional critics. Vermeulen and Seegers (2008) find that exposure to negative online hotel reviews affects consumer attitudes.

Online forums not only affect product attitudes and sales, they also affect corporate reputation. In an experimental study on the effect of online discussion forums, participants rated an organization more negatively after reading online discussions that were negative (vs. positive) about the organization (Park & Lee, 2007). Interestingly, in this study the number of comments added to the effect of positively toned discussions, but not for discussions with a negative tone, leading the authors to advice to PR practitioners to actively monitor online discussions on news sites and to interfere even after a single negative comment.

Several studies have pointed to possible moderators and mediators of the effects of online consumer reviews. In a study among users of an online forum about food and restaurants, Cheung, Lee, and Rabjohn (2008) tested a model in which the adoption of online opinions is predicted by information usefulness, which in turn is predicted by argument quality and source credibility. The author found that information usefulness is indeed a reliable predictor of opinion adoption. Also, two aspects of argument quality (comprehensiveness and relevance) predicted information usefulness, whereas source credibility (expertise and trustworthiness) did not. The latter may be explained by the fact that the questionnaire contained questions about the general credibility of the forum users, not about specific users

and specific reviews. There is reason to believe that source credibility plays an important role in the influence of online reviews. Weiss, Lurie and Macinnis (2008) show that characteristics and previous behaviors of the information providers affect the information value of postings in online forums. Also, consumer responses to online reviews are affected more strongly when the reviewers disclose information about themselves (Forman, Ghose, & Wiesenfeld, 2008). Moreover, the attributions readers of online forums make about the motives of a reviewer to contribute to an online forum influence the usefulness of a review (Sen & Lerman, 2007), again indicating that it is not only the review that matters but also the reviewer.

Organizational responses to negative consumer reviews

Organizations appear eager to — overtly or covertly — try and influence the content found on online consumer forums. For example, Dutch cable and telecom providers UPC and T-Mobile employ a webcare team that monitors online reviews or online discussions about their services and that reacts to these discussions. Similarly, Vodafone has a web relations department that spots complaints and responds to these complaints. However, other companies however choose not to react. For example, electronics firm Philips chooses not to respond to negative online reviews because it “respects the opinions of its customers” (Schouten, 2007).

The question is whether or not responding to an online review is more effective than responding to it. And if organizations choose to respond online to negative reviews, what would constitute an appropriate and effective response? The literature on service recovery after a complaint suggests that apologizing is an important ingredient of any reaction to a complaint. Apologies signal to a consumer that the organization accepts responsibility and regrets the negative event (Conlon & Murray, 1996). Greenberg (1990) contrasts apologies to excuses, in which responsibility is denied, and justifications, in which responsibility is taken

while simultaneously denying that what happened is in itself negative (for example, the customers' dissatisfaction might result from a different taste than most other customers). Apologizing positively influences perceptions of fairness, satisfaction, and repurchase intentions among customers (e.g., Boshoff & Leong, 1998; Conlon & Murray, 1996; Liao, 2007; Smith, Bolton, & Wagner, 1999; Tax, Brown, & Chandrashekar, 1998).

However, organizations should realize that publicly taking responsibility and expressing regret by apologizing on an online forum is different from apologizing one-to-one after a complaint has been filed. Readers of an online consumer forum might conclude that the reviewer was right in his negative assessment of the product when the organization that made this product apologizes. This might, compared to a situation where an organization does not respond, lead to more negative perceptions of the organization and its products, and to more positive perceptions of the reviewer. Yet, the literature on stealing thunder, where an organization publicly admits a mistake that has been made before an external party does so, shows that providing negative information about oneself may work out positively for organizations (Arpan & Pompper, 2003; Arpan & Roskos-Ewoldsen, 2005; Williams, Bourgeois, & Croyle, 1993) because it enhances credibility and hence makes an organization more persuasive (Williams et al., 1993). We therefore expected positive effects of apologizing on organizational credibility, on product evaluation, on the credibility of the reviewer and the perceived severity of the complaint. In our study we contrasted apologizing with a no-response condition and a condition in which no responsibility is taken for the complaint and in which the organization denies that anything is wrong with the product. We expected refutation of the claims in a negative review to negatively impact consumer evaluations of the organization and the product (cf. Johar & Simmons, 2000). Also, claim refutation might backfire by positively influencing the credibility of the reviewer and the

perceived severity of the complaint because readers may contrast the intentions of the reviewer to the negative impression of an organization that does not take responsibility.

The moderating effect of brand involvement

Consumers don't enter an online forum without prior attitudes towards an organization and its products. Instead, most consumers feel involved with some brands and not with others. Brand involvement strongly affects how consumers react to negative publicity about a brand.

Whereas low involvement consumers process negative information in a relatively objective manner, highly involved consumers are more likely to engage in counterarguing and to process the information in a biased way (Ahluwalia, Burnkrant, & Unnava, 2000). Thus, when encountering a negative online review, consumers who feel involved with the particular brand are less likely to be affected by this review than consumers who don't feel involved with the brand. The question is what happens when the brand responds by either apologizing or by refuting the negative information. Highly involved consumers might react more strongly to a response by an organization than consumers who feel less involved:

counterarguing will become more difficult for highly involved consumers when their preferred brand responds, indicating that this complaint is something to be taken seriously.

We expect that for highly brand-involved consumers an organizational response to an online review the complaint will be taken more seriously and the reviewer will become more credible. Since lowly involved consumers don't counterargue a negative online review, and are not likely to be persuaded by a brand they don't identify with, we expect that an organizational response will not make much of a difference for this group.

Method

Participants.

The participants were taken from a convenience sample and were approached by email to participate in an online study on consumer reviews. Almost half of the 124 participants

(47.3%) were male. The average age of the participants was 32.5 (SD=13.2). Most participants (75.2%) had followed higher education.

Independent variables

In order to manipulate *organizational responses to a negative consumer review* we created three versions of a negative online review. In all three conditions participants read an online review about a digital camera, Sony's DSC W80. On their screen participants got to see a page from an online consumer forum with the following text: "The quality of the photos made by this camera is disappointing. Some of the photos look somewhat grainy on my computer, especially when you watch them in their true size. Off course, after enlarging they always look worse but the difference is too much. Pictures made using the flash during daylight are OK, even though compared to my old camera they are not as good. But pictures made in the evening using the flash are really not good enough. I wanted to take pictures of my dog doing a puppy course but whenever the dog moved I couldn't take any decent photo. Its nice looks and a Carl Z. lens are not sufficient to make this a good camera (few days in my possession)."

The review was followed by either no response, or by a response that apologized or refuted the review. In both the apologies and refutation condition a Sony employee responded to the negative online review. In the apologies condition the response was as follows:

"Dear Gerard, we at Sony regret that you are experiencing problems with this camera and we want to apologize for this inconvenience. As a Sony employee I have seen a lot of cameras, and this camera might not be the best available, but is certainly a good buy. For somebody interested in a camera for everyday use (taking holiday pictures, etc.) this camera should get you good pictures.

You should not get the grainy pictures that you're talking about. On a computer screen or on any other external screen you should get a clear picture. Also, it should be possible to get good quality prints.

Because this camera fails to meet your expectations we want to advise you to get in touch with our Sony customer service department. You can find contact information if you follow this link (...). Maybe you also want to check the user manual which you can find here (.....). Best regards, Paul Vermeulen, Sony”

In the refutation condition no apologies are made in the first line, the rest of the first paragraph is the same as in the apologies condition. After the first paragraph the response continues as follows: “When using this camera it is important to use the appropriate settings. In the user manual you can find the right settings for different situations. We at Sony hope that this information will help you. If the problems remain, you can contact our Sony customer service department”. From here, the rest is the same as in the apologies condition.

Before assigning the participants to the experimental conditions, we assessed *prior brand involvement* using 12 items from the scale by Chaudhuri and Holbrook (2001). Three of these items assessed brand involvement with Sony, the other 9 items served as filler items and assessed involvement with three other firms (Casio, Canon and Kodak), these items were not used in the analysis. Information about means, standard deviations, reliability and intercorrelations of all scales can be found in Table 1.

Dependent variables

We used an 8-item scale by Newel and Goldsmith (2001) to assess perceived *corporate credibility*. The scale contains two subscales, trustworthiness and competence. High scores indicate high credibility.

We measured the perceived *severity of the complaint* with two items taken from Dolnik, Case, and Williams (2003): I think the complaint is... very serious /not serious at all; very severe /not severe at all. High scores indicate high severity of the complaint.

We assessed the perceived reviewers' competence and integrity. *Reviewer competence* was measured using two items (not knowledgeable at all/ very knowledgeable; not competent at all/very competent). We used 3 items to measure perceived *reviewer integrity* (e.g., not honest at all/very honest). High scores indicate a positive reviewer evaluation.

To assess *product evaluation* we selected four bipolar adjectives from Osgood's semantic differential scale (Osgood, Suci, & Tannenbaum, 1957, p. 37) and asked participants to rate their evaluation of the product on these 9-pts items (e.g., good-bad, attractive-unattractive). High scores indicate a positive evaluation.

Two items assessed *purchase intention*, e.g., I would like to buy this camera. *Willingness to pay* was assessed using 1 item in which participants were asked how much they would be willing pay for this camera. The scores were standardized, high scores indicate a high price.

Results

We conducted generalized linear modeling analyses using the GENLIS procedure in SPSS 16.0 on all the dependent variables and with organizational response and prior brand involvement as predictors. The analyses revealed significant effects of organizational responses to the review on 2 out of 3 review(er) judgments (reviewer competence and severity of complaint), on both producer judgments, and on none of the product judgments (Table 2). Post-hoc comparisons (see Table 3) show that with regard to the credibility of the producer, refutation resulted in lower competence ($p < .05$) and lower trustworthiness (marginally significant, $p < .10$) than in both the control and the apologies condition. Also, the reviewer was evaluated as more competent in the refutation condition than in the control condition ($p < .05$). The mean score of reviewer competence in the apologies condition did

not differ from the scores in the other two conditions. The complaint was perceived as more severe in both the apologies and the refutation condition than in the control condition ($p < .01$).

As could be expected, the analyses produced main effects for prior brand involvement. The strongest effects were found for product evaluation (Wald $\chi^2 = 30.47, p < .001$), producer competence (Wald $\chi^2 = 25.04, p < .001$), and producer trustworthiness (Wald $\chi^2 = 11.15, p < .001$). For purchase intention and severity of complaint we found smaller effects (resp. Wald $\chi^2 = 6.41$ and 4.31 , both p 's $< .05$). As could already be seen in Table 1, prior brand involvement is correlated positively with producer competence and trustworthiness ($r = .39$ and $r = .48$), positively with product evaluation and purchase intention ($r = .35$ and $r = .28$), and negatively with the perceived severity of the complaint ($r = -.17$). No effects were found for ratings of reviewer competence and integrity and for the willingness to pay.

Interaction effects of organizational response and prior brand involvement were found for all review(er) judgments but not for judgments about the producer and the product. The strongest interaction effect was found for severity of the complaint (Wald $\chi^2 = 27.12, p < .001$). In Figure 1 this interaction effect is plotted. As Figure 1 shows, participants with low prior brand involvement don't differentiate between the three conditions. As expected, highly involved participants do respond to the different experimental conditions: in both the apologies and the refutation condition highly involved participants rate the complaint as more severe than in the control condition. The same pattern occurs for reviewer competence and reviewer integrity (Wald $\chi^2 = 9.78, p < .01$ and Wald $\chi^2 = 6.35, p < .05$): in the apologies and refutation condition the reviewer is rated more positively than in the control condition (see Figures 2 and 3).

Conclusions, discussion, and implications

The results that we presented lead to three conclusions. First, regardless of prior brand involvement, responding to a negative online consumer review without taking responsibility negatively affects corporate credibility. However, the opposite is not true: taking responsibility by apologizing does not enhance corporate credibility. Second, both apologizing and refutation add to the credibility of the reviewer and to the perceived severity of the complaint. Apparently, any response adds to the status of the review and the reviewer, especially for forum users high in brand involvement. Third, responding to an online consumer review did not affect product evaluation or the intention to purchase the item that was discussed. We will discuss these conclusions below.

Given the guidelines that one can find in courses on online reputation management, one would expect to find positive effects of responding to a negative online review. We could not find such an effect, not even when apologies were offered. A substantial number of studies have found positive effects of apologizing in the context of service recovery (e.g., Conlon & Murray, 1996). This raises questions about whether one can easily transfer conclusions from the literature on service recovery to the domain of responding to negative online consumer reviews. The service recovery literature focuses on how customers react to faulty service delivery and how this is affected by organizational responses to the complaint (e.g., compensation, apologies). A response on an online forum constitutes a public response that mainly affects consumers that have no complaints themselves. Their (negative) evaluations of an organization that responds without taking responsibility are similar to the reactions of the dissatisfied customers in the service recovery literature. However, the participants in our study reacted differently when apologies were offered: offering apologies did not affect corporate credibility positively. One explanation could be that reading about a complaint in an online forum is less involving than reacting to a response as a dissatisfied customer that may just have spent a lot of money on a failing product. It may take the experience of feeling

unfairly treated to appreciate an organization taking responsibility for the unfairness. Also, people online as well as offline, attend more to negative than to positive information (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001; Sen & Lerman, 2007). This may be the reason why refutation has a negative effect, but apologizing does not have a positive effect on corporate credibility.

When discussing the effects on corporate credibility one should take into account the nature of the study that we conducted. The participants read a single review, followed by a single organizational response. On a real online consumer forum reviews are typically followed by other reviews and by reactions of the forum users. Online discussions have a tendency to get out of hand (Kiesler, Siegal, & McGuire, 1984). The aim of webcare teams may be to prevent online discussions from becoming overly negative by influencing other posters on a forum. Our study did not test whether potential contributors to online forums are affected by how an organization responds. For example, does reacting to online consumer reviews lead to less (or more) flaming in an online forum? Future studies should aim at studying effects of online organizational responses on how online discussions develop.

Organizational responses to an online review did establish most of the predicted effects on the evaluation of the review and the reviewer: the reviewer was considered more honest and competent when the claims in the review were refuted by the organization, and the complaint was seen as more severe after both apologies and refutation. Although we did not measure information usefulness directly, the findings indicate that when an organization responds to an online review, the information in the review is taken more seriously and will be more impactful, especially among consumers who feel involved with the brand that is discussed. The explanation may be that when people attend online forums, they ‘listen to strangers’, as Weiss, Lurie and Macinnis (2007) have labeled it. Online consumers use different cues to establish whether information and those who provide it should be taken

seriously. An organization responding to an online review signals that this information should be taken seriously, especially when one thinks highly of the responding organization. This however may not be the only process that explains our findings. A response by an organization may put the individual poster in the position of an underdog, especially when the organization denies responsibility. In many circumstances, people favor those in underdog positions (Vandello, Goldschmied, & Richards, 2007). This may help explain why the reviewer credibility or the severity of the complaint get rated more positively after an organizational response. A third explanation was already mentioned and might be related to the underdog effect: forum users may have contrasted the credibility of the reviewer to that of the organization. This explains why reviewer credibility is higher after the organization denies responsibility, but not after apologizing.

We did not find any effects on product evaluation or on purchase intention and the willingness to pay. Studies on the effects of negative online reviews have mainly focused on product attitudes and consistently reported negative effects, especially when utilitarian (vs. hedonic) products are concerned (Sen & Lerman, 2007). In our study, whether or not an organization responded did not have any effect on how the product was evaluated. Instead, the readers of the online review started evaluating the reviewer and the organization differently. More studies are needed to find out whether this is a result of the specific manipulation that we used in our study. For example, the response by Sony did not go into the specifics of the settings of the camera, but instead referred the reviewer to the user manual. A more detailed reaction might have explained more about the characteristics of the product and might have restored product attitudes. Clearly, more research, using different kinds of organizational responses, is needed before we can draw any firm conclusion about the effects of responding to online reviews on product attitudes.

As far as we know, the study reported here was the first to systematically vary organizational responses to negative online consumer reviews. The findings indicate that organizations should be careful about posting in online forums. If their responses make complaints look more severe and add to the credibility of the poster of a complaint, this may not be what they had in mind. Testing different kinds of responses may help organizations to be more effective in managing their online reputation, and it may help communication scholars to better understand the dynamics and effects of online consumer forums.

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Tables

Table 1

Means, Standard Deviations, Cronbach's α 's (diagonal) and Pearson Correlations (n=92-93)

	M (SD)	1	2	3	4	5	6	7	8	9
1. Prior Brand Involvement (1-7)	4.84 (1.19)	.87								
2. Producer Competence (1-7)	5.28 (.96)	.39**	.83							
3. Producer Trustworthiness (1-7)	4.77 (1.15)	.48**	.66**	.83						
4. Product Evaluation (1-9)	4.95 (1.72)	.35**	.26*	.32**	.92					
5. Reviewer Integrity (1-7)	4.60 (.99)	.04	-.15	-.09	-.19	.76				
6. Reviewer Competence (1-7)	3.85 (1.01)	-.07	-.14	-.11	-.02	.46**	.61			
7. Severity of Complaint (1-7)	4.75 (1.26)	-.17	-.33**	-.27**	-.30**	.59**	.45**	.93		
8. Purchase Intention (1-5)	4.19 (1.37)	.28**	.38**	.29**	.53**	-.32**	-.15	-.40**	.86	
9. Willingness to Pay	0.00 (1.00)	.06	.18	.10	.28**	-.21*	-.23*	-.17	.25*	---

† $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$ (two-tailed)

Table 2

*Main and Interaction Effects of Organizational Response and Prior Brand Involvement**(Wald χ^2 values)*

	Organizational response	Prior brand involvement	Organizational response x prior brand involvement
Evaluation of Producer			
Competence	7.45*	25.04***	.91
Trustworthiness	5.51†	11.15***	.55
Evaluation of Product			
Product Evaluation	1.01	30.47***	1.48
Willingness to pay	.28	.46	4.45
Purchase intention	.16	6.41*	2.59
Evaluation of Review			
Reviewer competence	8.26*	.62	9.78**
Reviewer integrity	1.65	.02	6.35*
Severity of complaint	11.00**	4.31*	27.12***

† $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$ (two-tailed)

Table 3

Estimated Means of the Dependent Variables for Different Producer Reactions

	Control	Apologies	Refutation	Wald χ^2
Evaluation of Producer				
Competence	5.49a	5.40ab	4.92b	7.45*
Trustworthiness	4.91a	5.00ab	4.36b	5.51†
Evaluation of Product				
Product Evaluation	5.01	4.95	4.81	1.01
Willingness to pay	0.08	-0.02	-0.05	.28
Purchase intention	2.13	2.03	2.06	.16
Evaluation of Review				
Reviewer competence	3.58a	3.79ab	4.31b	8.26*
Reviewer integrity	4.49	4.58	4.82	1.65
Severity of complaint	4.30a	5.07b	5.02b	11.00**

† $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$ (two-tailed). Adjusted for prior brand involvement. Sidak adjustment for multiple comparisons.

Figures

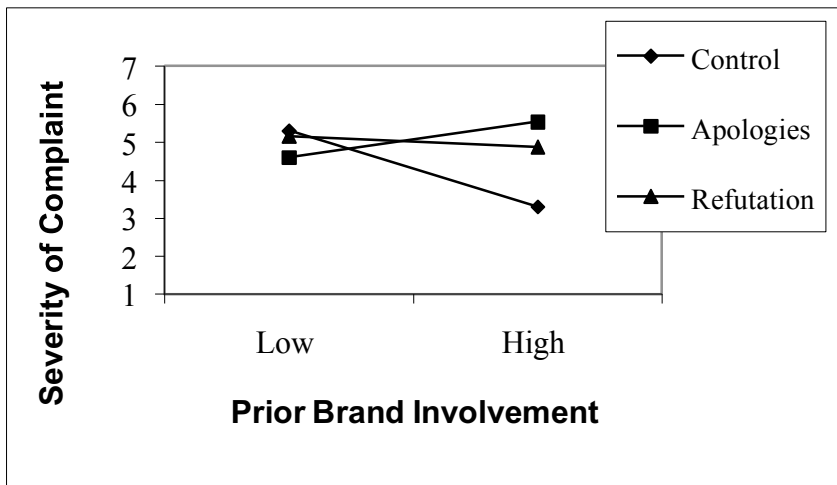


Figure 1 Effects of prior brand involvement and organizational response on perceived severity of the complaint

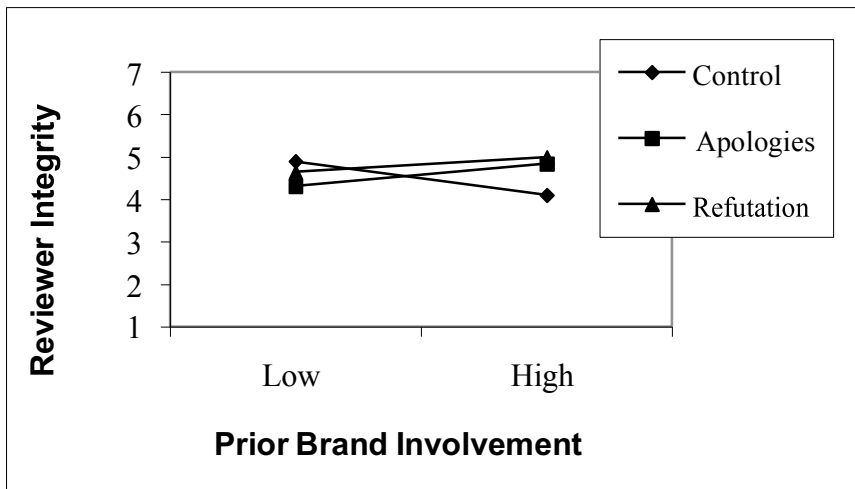


Figure 2 Effects of prior brand involvement and organizational response on perceived reviewer integrity

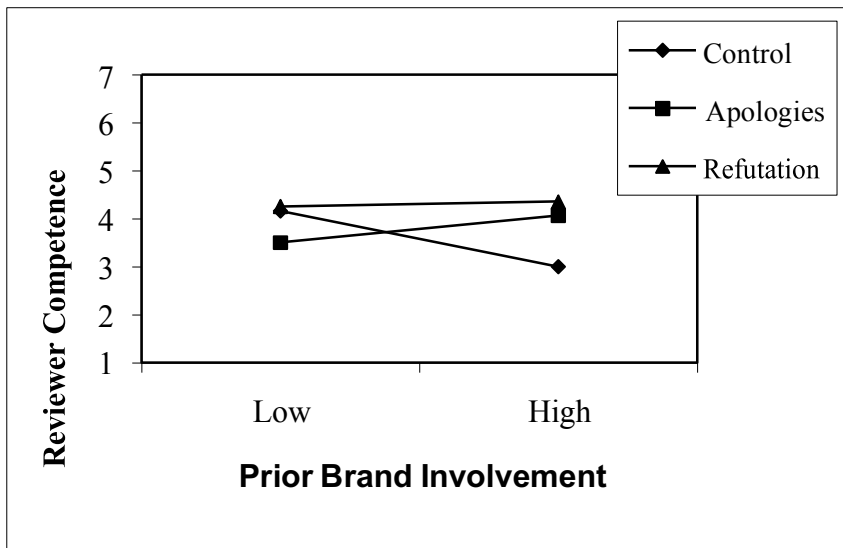


Figure 3 Effects of prior brand involvement and organizational response on perceived reviewer competence