The Influence of Online Reviews and Brand Trust and Customer Equity: Consumer Equity

Glenn Asano, Ryerson University, Toronto, Canada
Ting Pong Vincent Cheng, Macao University of Science and Technology, Macao, China
Joan Rhodes, Macquarie University (MGSM), Sydney, Australia
Peter Lok, University of Sydney, Sydney, Australia

ABSTRACT

Using a restricted probability sample of 269 participants, the key findings were: (a) that negative online reviews have a higher negative impact on customer equity than positive online reviews; this is a significant finding because previous findings were mainly short-term focus (on willingness to purchase) and long-term measurement such as ‘customer equity’ could provide management with new knowledge on negative online reviews; (b) ‘brand equity’ driver has the greatest impact on customer equity as compared to the other two drivers (‘value’ and ‘relationship’). This is a significant new finding which could assist management in redirecting its resources; (c) brand trust was unexpectedly found to have a negative relationship with the drivers of customer equity. This could be that long-term outcome as brand trust may prove to be difficult to measure in a cross-sectional study. Furthermore, online reviews have no significant relationship with ‘brand trust.’ This may be that brand trust may be more important in short-term outcomes with online reviews.

KEYWORDS

Brand Trust, Consumer Equity, Online Reviews

INTRODUCTION

A firm operates in an overall climate of general mistrust from the consumers of its business and its products which exacerbates the difficulties of image control (Lantieri & Chiagouris, 2009). According to the 2013 Edelman Trust Barometer which is based on a sample of 26 000 respondents representing the global general population, the public’s overall ‘trust in business’ was measured at 58 per cent, which means 42 per cent of respondents rated themselves as ‘not a truster’ (Edelman, 2013).

In response to the crisis of declining trust and loss of image control, firms when attempting to harness this new communication channel experience varying and unreliable outcomes. Some firms find this new media disruptive to the management of consumer relationships as these electronically transmitted messages overwhelm consumers and provoke skepticism (Sher and Lee 2009); and online reviews when intentionally manipulated result in deception and fraud (Hu et al., 2012; Dellarocas, 2006). Hence, it is important to understand the potential impact of online reviews on short and long-term equity of the firm.

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Many previous studies of online reviews (ORs) focus on short-term measures and outcomes such as purchase intent or willingness to buy (Cheung & Thadani, 2012; Cheng, Rhodes, & Lok, 2013; Kantspenger & Kunz, 2010) and ‘brand trust’ (Schlosser & White, 2006) often acts as a mediator between online reviews and short-term measures (Chaudhuri & Holbrook, 2001). However, there is still a lack of understanding on ORs on brand trust (Nga, Carson, & Moore, 2013) and the long-term measure of customer equity in firm performance (Schivinski & Dabrowski, 2016). Furthermore, customer equity is often measured to determine the influence and return on marketing (Rust, Lemon, & Zeithaml, 2004). Indeed, it is the long-term health and sustainability of the firm which are the key strategic goals.

The rationale for this study is based on the argument that through adopting the customer equity (CE) perspective when examining the influence of online reviews (ORs), a firm can improve its brand trust and marketing productivity over the long-term. When the influence of ORs is studied for its relative impact on the three drivers (that is (1) customer value, (2) customer brand, and (3) customer relationship and management) of customer equity (CE), it can acquire new insights into the effects that ORs have on the value of its ‘customer asset’ and thus shareholder value (Luo, 2009; Tirunillai & Tellis, 2012). That is, the long-term value of the firm based on customer equity.

Four research questions are addressed in this study. First, what is the effect of the valence of online reviews (ORs) on the three observable drivers of CE (value equity, brand equity and relationship equity)? Second, what is the relative impact of the three drivers (value, brand and relationship) on the overall customer equity (CE)? Third, what is the effect of brand trust (BT) on the three observable drivers of CE? Fourth, what is the effect of the valence of ORs on BT?

LITERATURE REVIEW

Online Reviews

Online reviews are peer-generated product evaluations posted on marketer or third-party websites (Mudambi & Schuff, 2010). The ways in which consumers communicate with each other have been changing dramatically over the last decade; the same is true for how consumers gather and exchange information about products, as well as how they obtain and consume them. The plethora of new media has provided consumers with extensive options for actively providing information on services and products. These consumer opinions can potentially be seen by millions, are available for long periods of time, and may be encountered by purchasers at precisely the time they are searching electronically for information about a firm and its products or services (Racherla & Friske, 2012).

A study by Schindler and Bickart (2005) confirms that the influence of ORs is broadly spread across the entire consumer decision-making process. Chevalier and Mayzlin (2006) reported evidence that consumer-generated ORs affected purchasing behaviour on two online book resellers they had studied. Powered by Web 2.0 platforms and models, online social media such as ORs are expected to continue their rapid growth; in addition, traditional knowledge diffusion dynamics for WOM will improve and accelerate, serving to increase the influence of eWOM in the future.

The selection of online reviews as the independent variable in the conceptual model was based on the reasons that: (1) the influence of eWOM across the consumer decision-making process is a contemporary marketing phenomenon that is growing rapidly into a powerful marketing force, (2) online reviews are the most frequently used source of eWOM communication, and (3) there have been an increasing number of calls in the literature for additional research to be conducted on this new phenomenon in order to fill the research gap created by the need to better understand the effects of WOM and eWOM (Luo, 2009).