

The Monetary Value of Online Reviews: Preliminary Analysis

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EXTENDED ABSTRACT

Numerous studies have been conducted on the implications of social media on marketing strategies and tactics. However just a few published studies to date have attempted to place a monetary value on online reviews. The most comprehensive was conducted by the commercial research firms Beresford Research and ShareThis (Stevens and Beresford, 2014). They examined three product categories and found that online sharing (i.e., social media posting of reviews) had a quantifiable effect on the price perceptions of respondents in the three categories. Further, positive online reviews increased purchase intent by generated 9.5% in, while negative reviews decrease intent by 11.0%.

In an extension of this line of research, a survey study was designed to examine the value consumers place on reviews by different types of people, in different social media and in four product categories. The effects of a negative review on products in four categories on monetary perceptions were also examined. More than 750 respondents participated in the study.

Our findings indicate that positive reviews have value in terms of willingness to pay a premium for the reviewed product over similar products. There were statistically significant differences for the main effects of social media type and product category. There was also a significant interaction between media type and product category. A positive review by friends or family on social media sites such as Facebook, Twitter, etc. yield the highest premium, more than 40% above comparable brands in the category. (See Figure 1.)

In contrast, negative reviews were found to establish an expectation in consumers of a discount in the 20% range for all four product relative to other similar brands in the category. (See Figure 2.)

This study is discussed in the content of past research and the relevant literature. A theoretical framework for the research is proposed based on the past research. Potential applications and additional research questions are offered.

Figure 1. Price Premium Over Comparable Brands for Social Media Reviews



