

# Information but at what cost? – The positive and negative impact of informational social influence

Presented at the Association of Consumer Research Annual Conference, Jacksonville, Florida, October 7 – 10, 2010

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## Introduction

A nightclub owner may keep patrons waiting in long lines outside of the establishment in order to signal the popularity of the venue; by doing so potential patrons may be scared away at having to wait for a long period of time or the possibility of not being afforded enough personal space once inside...

A restaurant operator may limit the number of people served at the restaurant so as to give the impression that the congestion inside is due to the quality of the food, in the process though patrons who regularly attend the restaurant may be put off by having to wait for a table....

An online retailer may solicit feedback from consumers as to the quality of the product offerings; however, by doing so the online retailer increases the website's time to load and clutter that consumers see when they view the webpage...

All of these examples are instances which demonstrate the value and the cost of informational social influence, though well espoused as a tool to enhance consumer judgments it is not without its cost

The purpose of this research is to explore the conditions under which informational social influence causes negative vs. positive judgments

The present research employed an experimental approach using a virtual environment to explore the research question at hand

## Informational Influence in an Uncertain World

In a marketplace filled with uncertainty consumers often rely on cues as to the quality of the market offering

Under conditions of uncertainty the presence of an informational social influence has long been thought to impact consumer judgments (Asch 1955).

Informational social influence can positively impact consumer judgments, encourages product usage, and creates positive perceptions towards products (Cohen and Golden 1972; Pincus and Waters 1977).

The growth of virtual environments and e-commerce in particular, has fueled an environment rich in informational social influence, such as the writing of user reviews or the rating of certain products (Chevalier and Mayzlin 2006).

However, in a virtual environment, informational social influence is also created inadvertently by consumers

## Informational Social Influence: Direct and Indirect

Informational social influence has often been explored in its direct form where previous patrons provide their reviews to future consumers thereby influencing their judgments (Cohen and Golden 1972; Pincus and Waters 1977).

The present research however explores *the indirect form* of informational social influence, which occurs when the informational social influence is created without deliberate attempts by the seller or by other consumers to create an informational social influence effect

For example, in a virtual environment the number of downloads may serve as an indirect form of informational social influence whereas user reviews of the downloaded file may serve as a direct form

## Propositions

One of the greatest concerns consumers have when purchasing products in a virtual environment is that the product will appear to be one thing online and then actually be something else once it arrives (Trocchia and Janda 2003)

Through exposure and experience, consumers gain knowledge that helps them to ascertain the quality of the product before purchase (Pavlou and Gefen 2004).

When knowledge of the product category is high consumers may be less susceptible to informational social influence and would be more likely to view the negative aspects of the informational social influence

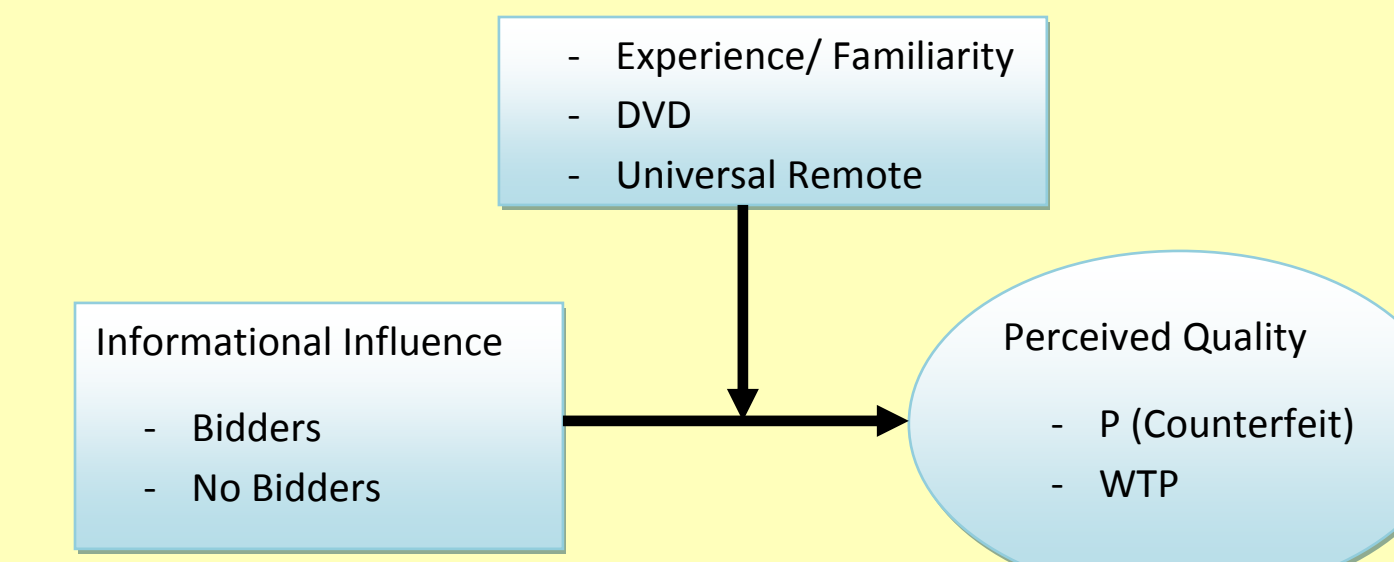
Conversely, when consumers are uncertain as to the quality of the product then we believe that informational influence will play an enhanced role in reducing that uncertainty and will positively impact judgment towards the product.

**P1:** The positive impact of informational social influence on perceptions of product quality depends on consumer experience with the product.

**P2a:** When consumer experience with the product is low, informational social influence effects will cause consumers to increase their valuations of the product.

**P2b:** When consumer experience with the product is high, informational social influence effects will cause consumers to decrease their valuations of the product.

## Proposed Model



## Methodology

2 (familiarity: high vs. low) x 2 (informational social presence: present vs. absent) study design

133 undergraduate students from a large private university in the South Eastern United States participated in the study in exchange for course credit

DVDs = high familiarity and a *universal remote control* = low familiarity based on a pretest (M\_DVD = 5.87 vs. M\_Remote = 3.35, F(1, 43) = 4.46, p < 0.05)

Pages from the popular online marketplace "eBay.com" were edited to standardize the information given by each seller for each of the products

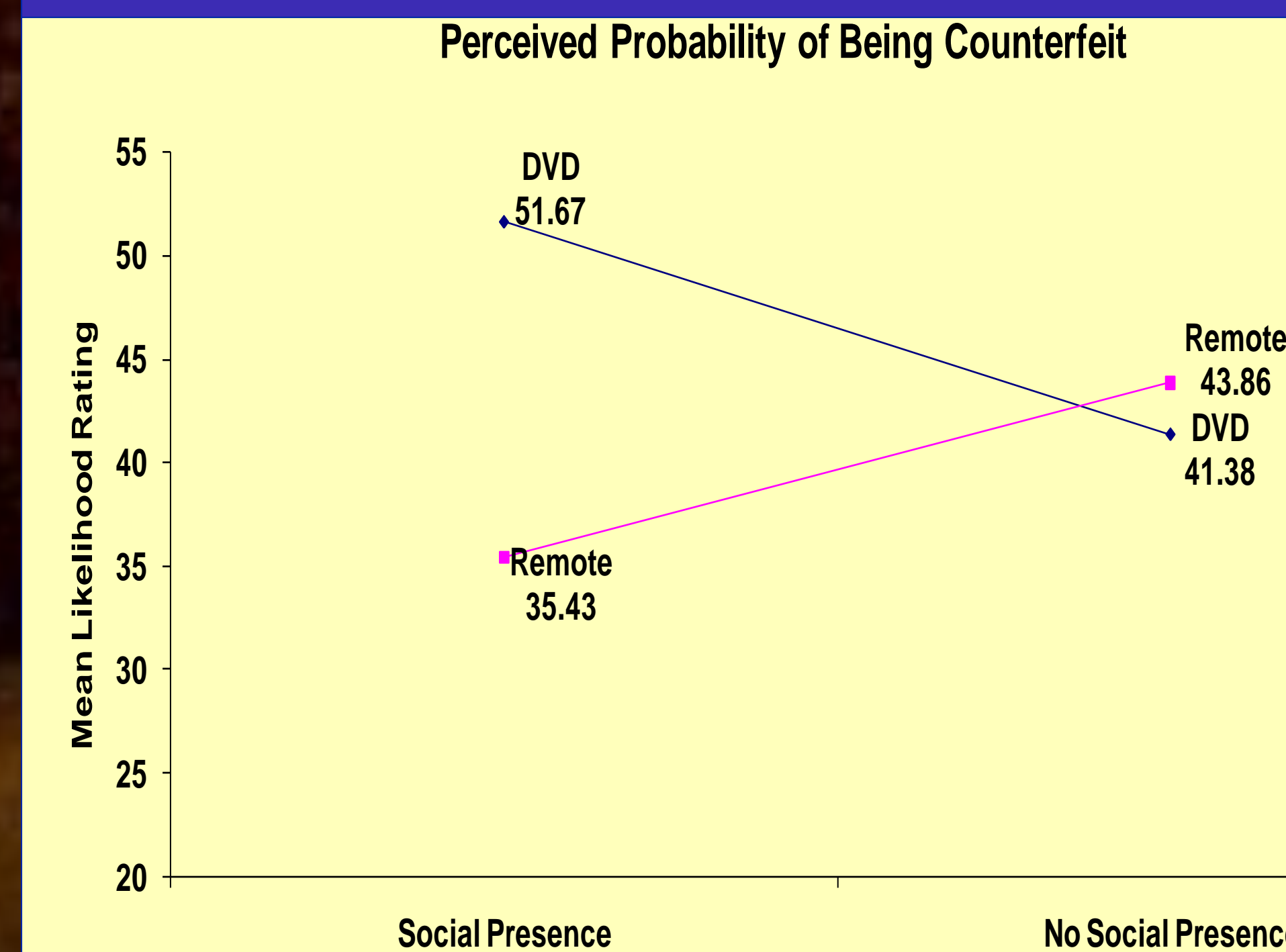
In the informational social influence condition several bidders were competing for the item

In the non informational social influence condition there were no other bidders

All of the DVDs were priced at \$9.50 while all of the Universal Remote Controls were priced at \$79.95.

Participants were asked to state the probability that they thought the product was counterfeit and to state the maximum amount of money that they would pay for the item

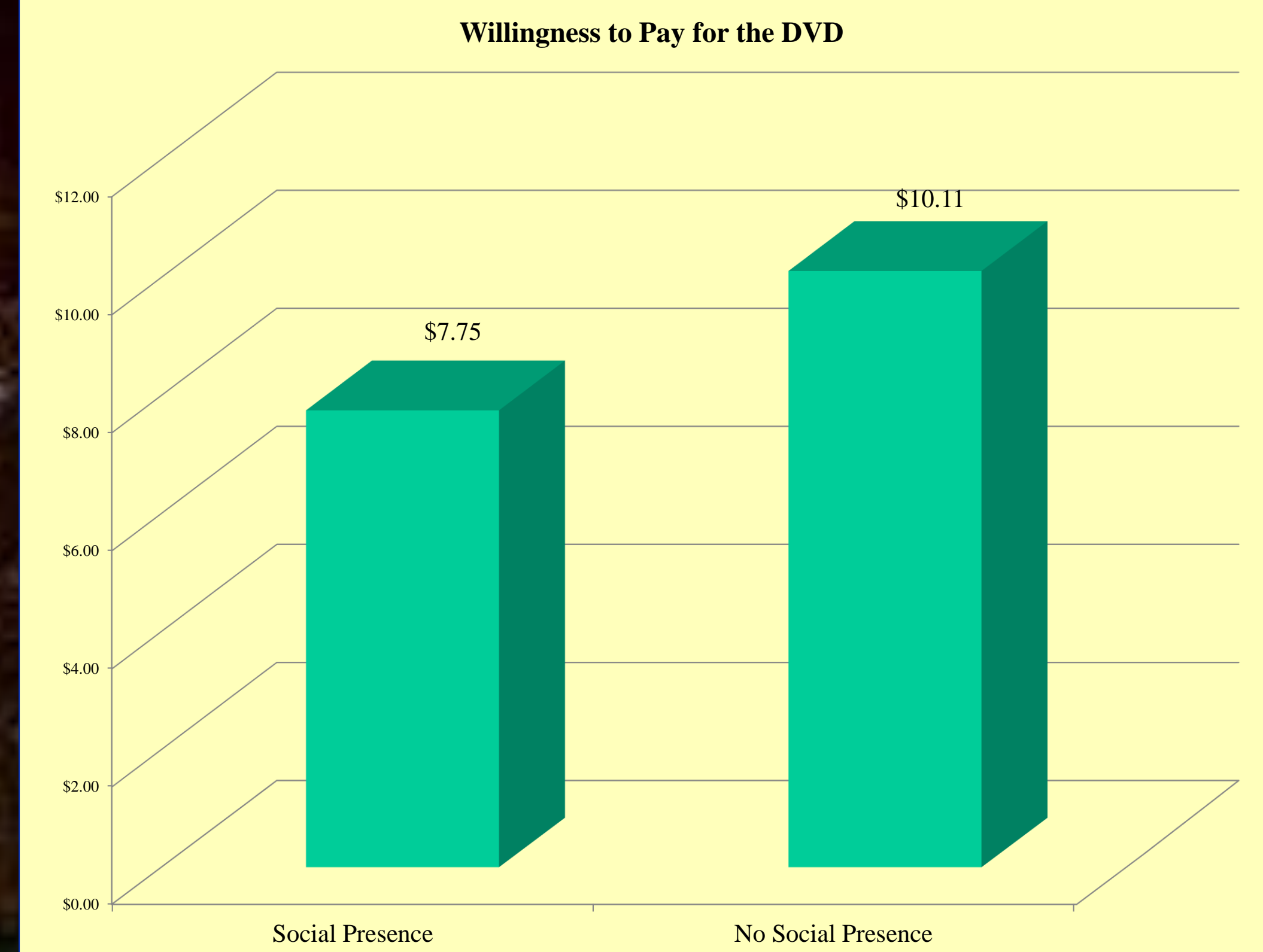
## Results



Significant interaction effect of familiarity and social influence

(F(1, 110) = 3.95, p < 0.05)

## Results Continued



(F(1, 59) = 7.93, p < 0.01)

Significant difference in WTP for DVDs (social presence vs. non); No significant differences were found for the universal remote control.

## Findings and Future Research

Benefits and costs of informational influence

One counterintuitive finding is that the impact of informational social influence (in the form of other bidders) actually caused participants to value the familiar product (DVDs) less than if their was no social presence (no other bidders).

The presence of other bidders may have a dual role:

- Signals demand for the product;
- Signals that the value of the product has been inflated and originally cost less

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