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# The Positive Effect of Negative Word-of-mouth on Consumers'

## Purchase Intention Towards Experience Goods

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**Abstract:** The purpose of the present study is to examine the positive effect of negative word-of-mouth on consumers' purchase intention towards an experience good. By introducing consumer's need for closure as a moderator, the results of two situation-based experiments reveal that negative word-of-mouth of a well-known experience good would increase the purchase intention of consumers with a high-level need for closure (Vs. a low-level need for closure); the same effect would not happen to an unknown experience good; and the positive effect of negative word-of-mouth on the purchase intention of consumers with a high-level need for closure towards a well-known experience good only happens in the case of negative word-of-mouth for the first time (Vs. the second time). The findings contribute to the literature on online review and word-of-mouth from a new perspective.

*Keywords:* negative word-of-mouth, need for closure, product type, time, experience goods

### 1. INTRODUCTION

Over the last few decades, Word-of-mouth (WOM) has attracted wide attention from academics and practitioners. Whatever positive or negative WOM are all strategically important because it usually associated with consumers' extreme satisfaction or dissatisfaction<sup>[1]</sup> and have strong effects on consumers' subsequent behavior<sup>[2]</sup>. It is well believed that Negative Word-of-mouth (NWOM) can calamitous impact on organizational revenues<sup>[3]</sup>, net present value and sales<sup>[4]</sup> by reduce consumers' product evaluations and purchase likelihood<sup>[5]</sup>. As for movie industry, NWOM could decrease box office receipts significantly<sup>[6]-[7]</sup>.

However, some examples in recent years seem to be contradicted with the findings. A wine's sales volume increased 5% after it was negatively reviewed "as redolent of stinky socks" by a famed wine website<sup>[8]</sup>. Recently, according to Douban, an authoritative film review website in China, the movie "Switch" gained 69123 evaluations, among which the proportion of one-star evaluations accounted for 72.6%, while the proportion of five-star evaluations only accounted for 2.3%. The movie fans jokingly called the movie "The worse movie ever", but the box office took in over 290 million. For another movie "Tiny times 3", among the 46111 evaluations, the proportion of one-star evaluations was 44.9%, while the proportion of five-star evaluations was only 6.7%. However, the box office of this movie exceeded 500 million (www.douban.com). It's worth noting that the box office of both movies far surpassed the movies which were shown in the same period and obtained a high applause rate. Is it really "any publicity is good publicity"? Berger et al.<sup>[9]</sup> explored such counterintuitive phenomenon, and found that the reason why NWOM could increase sales volume of products is that it increases the product attention, and such effect is moderated by the product popularity. In other words, NWOM could only generate a significant sales volume growth stimulus for an unknown product (such as the novel of an unknown writer). For an unknown product (the novel of a well-known writer), NWOM will significantly inhibit the sales volume. Yet, some examples contradicted with Berger et al.<sup>[9]</sup> also been found, e.g. a film directed by a well-known director got thousands of NWOM but still win the box office. To uncover this phenomenon, the present research introduce a consumers' psychological trait, namely need for closure (NFC), which means individuals' desire for a firm answer to a question and an aversion toward ambiguity<sup>[10]</sup>, we argue that consumers with high NFC would like to buy the product with NWOM when the overwhelmed NWOM makes

him/her confused on the product (e.g. how could a movie produced by a famous director got lots of negative reviews?), because they want to unlock the puzzle that is it true this director really shoot a terrible movie? While on the contrary, if NWOM happened to an unknown product, NFC will not be triggered and thus the purchase intention will be lower significant. It must be pointed out that this would happen only with experience goods rather than search goods, because consumers can easily obtain information on product quality before purchase a search good, while they can't evaluate experience goods unless purchase it by themselves<sup>[11]</sup>. Furthermore, this study also exam the moderate effect of time, we argue that the NWOM valence towards the well-known product can only worked once, after that, if a relevant product (e.g. another firm directed by the same famous director) comes out and get NWOM again, the NFC will not be activated due to last experience and thus whatever consumers with high or low NFC, their purchase intention will be low.

## 2. THEORETICAL BACKGROUND

### 2.1 Need for closure

Need for closure describes individual motivation and wish in the face of ambiguity, that is, the wish to find out a clear answer to a question, no matter what the answer is. Relative to chaos and uncertainty, any clear answer is better. Need for closure is usually a continuum, and everyone may be at the different position in the continuum. The persons at one end of the continuum have a strong demand of the need for closure, while those at the other end of the continuum are just the reverse and they try to avoid the demand of need for closure<sup>[10]</sup>. Kruglanski & Webster<sup>[10]</sup> proposed two stages of the need for closure, i.e. seizing and freezing. Seizing stage means in the face of uncertainty and fuzzy state, the individuals with a high-level need for closure always have a strong wish to seek information or all kinds of implicit clues so as to make adjustments for the target objects fast. In the freezing stage, the individuals with a high-level need for closure will insist on their adjustments formed in the "seizing" stage. So in the face of new information, they are "closed" and will not adjust their standpoint according to the new information<sup>[10]</sup>.

At present, there are two branches for the research on the need for closure. The scholars in one branch regard the need for closure as an individual trait and consider that the individual level of need for closure is relative stable, so it can be measured by the scale. Webster and Kruglanski measured the individual level of need for closure from five aspects: Need for Structure, Need for Predictability, Need for Decisiveness, Intolerance for Ambiguity, and Closed-mindedness. Currently, the scale has been translated into multiple languages and extensively applied by the scholars from various countries. The research conclusions have high consistency. The other scholars believe that the individual level of need for closure can be temporarily changed due to environmental factors. Time pressure and environmental noise will enhance the individual level of need for closure in a short term, and lead to the change in the subsequent decisions. In the face of ambiguity, the individuals with a high-level need for closure have a very strong motivation to seek the clear answer in order to eliminate the pressure and anxiety brought by the fuzzy state, even if there is no conclusive evidence or the decision made may not be proper. The individuals with a low-level need for closure have the high tolerance to ambiguity and have the low preference to the immediate elimination of ambiguity and uncertain state, so they have the stronger motivation to further collect information or analyze and think the information more deeply.

Before making a consumption decision, consumers will generally predict the product or service effect, and form consumer expectations<sup>[12]</sup>. For a well-known product, consumers will predict the favorable consumption experience before the consumption. For example, wearing the Swatch watch will make one more fashionable, and Haagen-Dazs ice cream will be more delicious than a common ice cream. For NWOM of a well-known product, consumers will feel the unconformity between word-of-mouth information and expectations, thus

generate the cognitive dissonance and doubt the accuracy of word-of-mouth information. Compared with the individuals with a low-level need for closure, the individuals with a high-level need for closure will feel strong pressure and anxiety, and have the stronger motivation to further gather information and find out the clear answer for fuzzy events, which will increase their purchase intention (in the hope of gaining information and finding out the clear answer through their own experience). For an unknown product, consumers have no established cognitive structure<sup>[13]-[14]</sup>, and will not form the clear consumer expectations. In the face of NWOM of an unknown product, consumers will neither perceive the unconformity between word-of-mouth information and expectations nor doubt the accuracy of word-of-mouth information. Thus, the individuals with a low-level need for closure and a high-level need for closure will not generate the motivation of further searching information and giving the answer, that is, the purchase intention is low.

Nelson<sup>[11]</sup> classified goods into experience goods and search goods from the perspective of consumers' evaluation of goods attribute and quality before the purchase. Search goods refer to the goods whose attribute information and quality information are easy to gain before the purchase (i.e., cameras<sup>[11]</sup>), natural supplement pills<sup>[15]</sup>). The stronger the degree of evaluation for goods based on the second information perceived by consumers, the higher the search attribute of goods. Experience goods refer to the goods whose attribute can be verified and evaluated only when they are purchased and consumed (i.e. music<sup>[11]</sup>), wine). In other words, consumers need to evaluate the quality of goods by their sense judgment. When consumers have a stronger demand for the evaluation of goods quality by their sense judgment, the goods have a stronger experience attribute<sup>[15]</sup>. Experience attribute is often based on subjective taste, so it is more difficult to define the quality. As well, it is more difficult to recommend<sup>[16]</sup>. Ford et al.<sup>[17]</sup> also indicated that consumers doubt experience attribute statement more than search attribute statement, and doubt subjective attribute statement more than objective statement. Based on the features of search goods and experience goods, we believe that the above analysis will only happen to experience goods rather than search goods, because consumers can easily gain product quality information before purchasing search goods, while the evaluation of experience goods is often based on subjective taste, and consumers can get the final answer through personal purchase and try. Based on the above analysis, the following hypothesis is obtained:

H1: NWOM of well-known experience goods will increase the purchase intention of consumers with a high-level need for closure (VS a low-level need for closure) towards the goods; NWOM of unknown experience goods will not influence the purchase intention of consumers with a high-level need for closure and a low-level need for closure towards the goods.

## 2.2 Moderating effect of time

We can see from the above inference that, the key reason why NWOM of experience goods will increase the purchase intention of consumers with a high-level need for closure is that the contradiction between consumers' positive expectations for well-known experience goods and NWOM of well-known experience goods stimulates the motivation of consumers with a high-level need for closure to solve ambiguity and uncertainty. In other words, if such cognitive dissonance does not appear, the purchase intention of consumers with a high-level need for closure (VS low-level need for closure) towards the goods will not increase. Will NWOM of well-known experience goods always lead to consumers' cognitive dissonance? Next, time will be introduced to further investigate the above discussion.

There have been rich studies about the effect of time (such as saturation effect: repetitive consumptions lead to the decline of enjoyment). The stimulus for the first time will often cause individual strong responses. Then, with the increase of stimulus times, the stimulus effect will lower and weaken<sup>[18]</sup>. In other words, the times of stimulus will change individual subjective experience<sup>[19]</sup>. The effect of time appears in many fields,

such as economics (diminishing marginal utility), psychology (adaptation, habit) and marketing (advertising wear-out). As everyone knows, advertising will gradually lose its effect after it is seen many times<sup>[20]</sup>. Although these effects involve many fields, they own one key feature – the response weakens after the repeated exposures, that is, with the increase of occurrence times, the response will weaken.

Oliver<sup>[12]</sup> considers that, one's expectation for product performance can be deemed as an adaptation level, not matter how it is created. The cognitive comparison of practical product experience and expectation level will form a new adaptation level after the integration of practical experience and adjustment, and then generate the influence on product performance evaluation. For a well-known experience good, the original expectation of consumers (adaptation level) is favorable consumption experience. When NWOM information is encountered the first time, consumers will feel the unconformity between word-of-mouth information and expectations and thus generate the cognitive dissonance. Meanwhile, consumers will integrate NWOM information and their original expectation to form the adjusted post-expectation. When they encounter NWOM information again, the deviations between the post-expectation and NWOM information will decrease. Thus, they will not generate a strong cognitive dissonance. In other words, the positive effect of NWOM on the purchase intention of consumers with a high-level need for closure towards a well-known experience good only happens in the case of negative word-of-mouth for the first time. Later, if the similar phenomenon appears again, consumers' purchase intention will still be low.

H2: The positive effect of NWOM on the purchase intention of consumers with a high-level need for closure towards a well-known experience good only happens in the case of negative word-of-mouth for the first time (VS the second time).

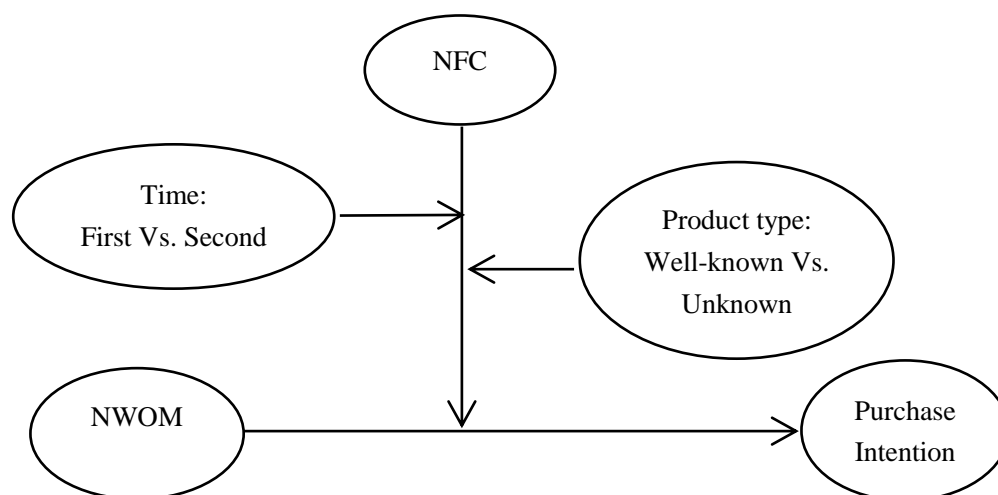


Figure 1. Theoretical framework

### 3. METHODOLOGY AND RESULTS

All hypotheses will be examined in two studies through experimental design. We hope our findings will give a new insight to the online review literature and word of mouth literature as well.

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