The Role of Communication Types on Referral Acceptance in Social Networks

Full Paper

Antonia Köster
Ludwig-Maximilians-Universität München
koester@bwl.lmu.de

Christian Matt
Ludwig-Maximilians-Universität München
matt@bwl.lmu.de

Thomas Hess
Ludwig-Maximilians-Universität München
thess@bwl.lmu.de

Abstract

The advancement of communication tools has changed interpersonal communication among consumers. Companies leverage different communication tools to reach customers, while it is unclear, how communication types affect online referral acceptance. This study draws on affordances and social presence theory to investigate the role of two communication types (i.e. private and public) in social networks on recipients' intention to accept a referral. Furthermore, we examine how rewards (i.e. for the referrer or receiver) impact the likelihood of referral acceptance depending on the communication type. We conducted a 3x2 between-subjects experiment. Results demonstrate that referrals without any reward are equally accepted in both communication types. However, when a referral includes a receiver reward, consumers prefer to receive the referral through the private communication type rather than through the public communication type. This research yields empirical evidence that helps companies facilitate the selection of appropriate communication types for unrewarded and rewarded online referrals.

Keywords

Online referrals, social commerce, communication tools, social presence theory.

Introduction

The information exchanges and recommendations within personal networks have a strong impact on consumer preferences and purchasing behavior (Aral et al. 2013). Companies engage in referral programs that are designed to encourage consumers to make product recommendations. These programs have significant potential to increase company's performance, because referred customers are more profitable and loyal than customers acquired through other means (Schmitt et al. 2011). Moreover, referrals can attract customers that would not have become aware of the product otherwise (Rogers 2003). The proliferation of online communication tools has opened new possibilities for sharing referrals in personal networks (Licoppe and Smoreda 2005). Accordingly, online referrals differ from traditional offline referrals in several ways. First, a variety of communication tools, such as e-mails, discussion forums, instant messaging, blogs, and social networking sites, can be employed to share an online referral. Second, online referrals enable consumers to reach large audiences simultaneously, without temporal or geographical constraints (Hennig-Thurau et al. 2004). Third, online referrals are more convenient, faster and easily traceable for companies (Shi et al. 2013). These advantages attract the attention of companies that are interested in leveraging social relationships to acquire new customers (Liu and Sutanto 2011). Hence, many companies integrate social sharing features such as “pay by tweet” or “share on Facebook” on their website.

Social networking sites are ideally suited to referral campaigns, because they can reach a large number of potential customers. Moreover, they enable referrers to choose between communication types to share information. In social networks, one can disclose a referral either publicly via Facebook updates or tweets.
Online Referrals and Communication Types

to the entire network of “friends,” or privately via private messaging to selected recipients (Gilbert and Karahalios 2009). Communication in social networking sites should not be treated as a uniform communication activity (Bazarova 2012). Therefore, an understanding of how different communication types influence recipients’ acceptance of online referrals provides practitioners with valuable insights into the design of online referral programs.

A wide body of research concerns the factors that influence the relevance and impact of referrals such as personality (Wirtz and Chew 2002), reward allocation scheme and reward type (Jin and Huang 2014; Ryu and Feick 2007; Wirtz et al. 2013), tie strength and social norms (Shi et al. 2013), and sources of the referral (Gasimov et al. 2010). To the best of our knowledge, no research has analyzed whether different communication types influence the recipient’s response to online referrals in social networks. We respond to this research gap by empirically examining what differential influence, if any, communication types in social networking sites have on referral acceptance. Therefore, our first research question is: How does the communication type impact the likelihood of referral acceptance? In particular, we analyze public sharing of referrals, where referrers do not target a specific audience, and private sharing of referrals, where referrers proactively send referrals to specific friends. Although referrers are important, because of their initiating role, receivers of a referral decide whether to accept or refuse the referral. We focus on referrals sent to recipients that are not seeking referrals, also known as unsolicited referrals (Verlegh et al. 2013), and propose that the communication type may affect recipients’ decision to accept the referral.

Although referrals are often self-initiated, companies can incentivize referrals with rewards. These referral reward programs usually provide either a reward to the referrer that makes a referral to increase the likelihood of social sharing, or offer a reward to the receiver to increase the likelihood of referral acceptance (Ryu and Feick 2007). Different communication types may amplify and make more visible the strategic actions and motivations of the referrer, when a referral involves a reward. If companies encourage the referrer to use a less adequate communication type, it may lower the acceptance of a rewarded referral. Accordingly, our second research question is: How does the communication type impact the influence of rewards on the likelihood of referral acceptance? More specifically, this study investigates two frequently used reward schemes (reward for the receiver and reward for the referrer) that may exert a direct effect on the recipient’s intention to accept the referral.

In order to address both research questions, we conducted a 3x2 between-subjects experimental survey. We draw on theory of affordances (Gibson 1986) and social presence theory (Short et al. 1976) to investigate the role of different communication types in social networks. Central to the social presence theory is the notion that communication types have different characteristics. A good match between the communication type and the communication activity will lead to a more effective performance (Rice 1993). Thus, the perceived social presence of the communication type may influence the recipient’s response to the referral.

**Theoretical Background and Hypotheses Development**

Figure 1 presents the research model that assesses the impact of referrals, without reward or with receiver or referrer reward, shared via a private or public communication type, on the recipient’s intention to accept the referral. We outline the conceptual foundations for each of the two determinants in the following.
Online Referrals and Communication Types

Social Presence Theory and Communication Types

A comprehensive understanding of communication types requires us to consider both the functional and affective characteristics that users attach to them (Tan et al. 2014). The concept of affordances has been used to study the usage and design implications of communication tools (Gibson 1986; Wellman et al. 2003). Affordances refer to technological capabilities that facilitate interaction and allow individuals to perceive aspects of their social environment (Jung and Lyytinen 2014; Wellman et al. 2003). Different communication tools afford varying perceptions of social presence (Rice 1993; Short et al. 1976). Social presence defines the degree to which a medium is perceived to be transmitting the presence of the communicating participants (Short et al. 1976). Thus, this construct depends on socio-emotional cues and is demonstrated by the way messages are posted and those messages are interpreted by others. Therefore, it is important to examine whether and how communication types shape referral interpretation. It is not simply the referral itself that affects interpretation but also the communication environment in which a referral is received. In the context of social networking sites, affordances of different communication types could provide consumers with varying levels of social presence and thus may influence their perception of referral benefits and referrer’s intrinsic motivation.

Treem and Leonardi (2012) identified four affordances that help to characterize social media such as social networking sites. These affordances include visibility of information and communication, data permanence, message editability, and association between individuals or between a message and its creator. In this study, we examine two communication types (private messaging and public posting) of a social networking site, which differ in terms of information visibility (i.e. exclusive vs. non-exclusive information) and target directedness (i.e. directed vs. non-directed communication). These characteristics allow us to contrast the communication types. Table 1 depicts a comparison between the characteristics.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Private Communication Type</th>
<th>Public Communication Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Receivers</td>
<td>Small</td>
<td>Large</td>
</tr>
<tr>
<td>Social Distance of Referrer and Receiver</td>
<td>Small Social Distance</td>
<td>Small and Large Social Distance</td>
</tr>
<tr>
<td>Target Directedness</td>
<td>Directed</td>
<td>Non-Directed</td>
</tr>
<tr>
<td>Information Visibility</td>
<td>Exclusive</td>
<td>Non-Exclusive</td>
</tr>
</tbody>
</table>

Table 1. Characteristics of Communication Types in Social Networks

Information visibility differs between private and public communication types. For example, Facebook status updates and wall posts are usually visible to the profile owner’s network, whereas information disclosed in private messages and chats is exclusively visible to a targeted number of recipients. In addition to information visibility, the concept of target directedness can differentiate communication types. In particular, social networking sites enable consumers to share their experiences with their entire social network, or specifically with selected friends. For instance, private messages are directed at a single receiver, but status updates are usually non-directed and target the entire network of friends. The distinctions in visibility and directedness between communication types have been shown to influence the perception and experience of interactions with regard to perceived intimacy (Bazarova 2012). Thus, we further argue that the combination of information visibility and target directedness affects the perceived social presence of the communication type, which in turn impacts the likelihood of referral acceptance. Communication types that have a high degree of social presence are judged to be personal, sensitive, and sociable (Short et al. 1976). In line with the social presence theory, we posit that a private communication type can create a more personal connection, which is the foundation of social presence. Hence, we hypothesize that referrals shared privately will be perceived as more intimate and personal than referrals shared publicly.

Hypothesis 1: Recipients will perceive higher social presence in the private communication type than in the public communication type.
Online referrals and communication types

Private versus Public Communication Type: Referral without Reward

Online consumers share product information with their friends when they think the product is attractive or needed. Such sharing typically arises out of intrinsic motivation, since there are no economic benefits associated with the referral. Every referral puts the recipient in a situation where he or she must choose to accept or to refuse the referral. Wirtz and Chew (2002) state that “customers pay more attention to word-of-mouth, because it is perceived as credible and custom-tailored, and generated by people who are perceived as having no self-interest in pushing a product.” Bazarova (2012) found that users attribute different meanings to messages contingent on the communication environment. Specifically, greater message intimacy is inferred from messages intended for private consumption than from the same messages shared publicly. Thus, referrals in social networks shared exclusively with a specific recipient provide higher benefits with regard to personalization. The perception is strengthened because the referrer is responsive to the recipient’s needs and is engaged in a personalized one-to-one dialogue, which results in higher social presence of private communication. Moreover, based on interviews, Liu and Sutanto (2011) state that recipients prefer to receive a referral via one-to-one communication from close friends. Referrals that do not directly target a specific receiver and are shared on social networking sites might be perceived as less valuable and might even be ignored. Hence, we postulate that acceptance likelihood will be higher for referrals shared via a private communication type than via a public communication type.

Hypothesis 2: Recipient’s intention to accept an unrewarded referral will be higher in the private communication type than in the public communication type.

Referral Reward Program

Referral reward programs include rewards, which affect the personal benefit that accrues to the referrer or receiver (Jin and Huang 2014; Verlegh et al. 2013). Referral reward programs typically differ with regard to the implemented reward scheme. The first is “referrer reward,” in which the referrer is rewarded if the referral is successful. In addition, there could be a scheme called “receiver reward,” in which the receiver of the referral obtains the reward. Finally, there could be a combination of both. A reward is an effective mechanism to increase referral likelihood, especially when the referrer is highly satisfied with the company (Wirtz and Chew 2002). Therefore, companies implement referral reward programs to facilitate positive referrals and extend their customer base (Shi et al. 2013). In the following, we will discuss how communication types and reward schemes influence the acceptance likelihood of referrals.

Private versus Public Communication Type: Referral with Receiver Reward

Xiao et al. (2011) studied referral programs and concluded that providing more rewards to recipients than to referrers produces optimal results. Ryu and Feick (2007) show that with strong ties, consumers are more likely to provide referrals in a receiver-reward condition than in a referrer-reward condition. Providing a reward to the recipient constitutes an extra consumer outcome, which is likely to increase the recipient’s subjective judgment of the referral benefits (Shi et al. 2013). Hence, we hypothesize:

Hypothesis 3: The presence of a reward for the receiver (compared with no reward) increases the recipient’s intention to accept the referral in both communication types.

When a rewarded referral is shared publicly, for example through status updates, consumers perceive less information exclusivity, because the referral is sent to all of the referrers’ friends in the network. Commodity theory suggests that the subjective value of a rare resource increases (Brock 1968). According to Petty and Mirels (1981), targeting a specific receiver implies information unavailability to others, which increases perceived intimacy and thus the value of the referral. Therefore, we hypothesize, consistent with the prediction of commodity theory and social presence theory, that a reward increases recipients’ likelihood of acceptance, especially for referrals shared privately.

Hypothesis 4: Recipient’s intention to accept the referral with a reward for the receiver will be higher in the private communication type than in the public communication type.
Private versus Public Communication Type: Referral with Disclosure of Referrer Reward

Referral campaigns are quite commonly instigated by referrer rewards, because offering a reward to the referrer increases the likelihood of a referral (Ryu and Feick 2007). With the increasing use of referrals for a commercial purpose (e.g. within the context of blogs), it might be legally required to disclose the referrer reward to the recipients (Verlegh et al. 2013). Recipients evaluate the social and psychological costs and benefits of a referral differently when a referral is rewarded. Tuk et al. (2009) and Verlegh et al. (2013) investigated how disclosing or not disclosing a referrer reward would affect recipients’ responses to referrals within friendship, with ambiguous results. Tuk et al. (2009) suggest that disclosing a financial motive is appreciated in a friendship relationship compared with when recipients learn about the referral reward program elsewhere. By contrast, Verlegh et al. (2013) observed a negative impact on the referral response for strong-tie referrals when the referrer explicitly discloses the reward. We suggest that recipients are more likely to attribute extrinsic motives to the referrer’s behavior if the reward is disclosed. Accordingly, the likelihood of accepting the referral is reduced. Hence, we hypothesize:

Hypothesis 5: The disclosure of a reward for the referrer (compared with no reward) decreases the recipient’s intention to accept the referral in both communication types.

When referrals among friends are stimulated by rewards, recipients will question whether the referral is influenced by extrinsic motives (Verlegh et al. 2013). The communication type may amplify and make more visible a set of strategic motivations, thus influencing the recipient’s perceptions. Directed referrals suggest greater relational intimacy between referrer and recipient than messages shared unexclusively and in a non-directed way through public communication such as status updates. Privately shared referrals create a feeling of trust and reduce the perception that the referral is only instigated by “cold commercialism” (Dichter 1966). By contrast, recipients may perceive publicly shared referrals with a referrer reward as less personal and driven by commercial interest rather than by intrinsic motivations. Thus, because of increased accountability, the disclosure of the referrer reward decreases the recipient’s referral acceptance especially in the public communication type. Hence, we hypothesize:

Hypothesis 6: Recipient’s intention to accept the referral with a disclosed reward for the referrer will be higher in the private communication type than in the public communication type.

Research Method

The research model was tested using a 3 (no reward; with receiver reward; with referrer reward) × 2 (private communication type; public communication type) between-subject design. This approach allows us to manipulate core variables and to exercise control over extraneous variables (Xu et al. 2009). We manipulated the reward scheme with a between-subject design to minimize the sensitization effect, because a within-subject design allows participants to detect the research purpose more easily. We also manipulated the communication type with a between-subject design to minimize the carry-over effect (Greenwald 1976). Each participant was randomly assigned to one of the six conditions. Table 2 depicts the experimental design and the sample sizes.

<table>
<thead>
<tr>
<th>Communication Type</th>
<th>Referral Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No Reward</td>
</tr>
<tr>
<td>Private</td>
<td>Condition 1 (n=80)</td>
</tr>
<tr>
<td>Public</td>
<td>Condition 2 (n=88)</td>
</tr>
</tbody>
</table>

Table 2. Experimental Design

We chose the social network Facebook as our research context. It provides a useful platform for testing the role of communication types, because it facilitates contexts in which people can disclose information either exclusively, target-directed to a receiver (e.g. private message) or non-exclusively, non-directed to the whole network (e.g. status update). A total of six different fictitious Facebook profiles were created for
Online Referrals and Communication Types

this study, resulting in three different referral message variations. Each referral was then presented as a status update, or a private message. All profiles had the same number of Facebook friends, and minimal biographical information.

The procedure of the experiment was as follows: The experiment was conducted in two stages. In stage one, the participants received a brief introduction, which explained that the study was designed to evaluate their response to online referrals in social networks. We used an existing product from a smaller, little-known online vendor to enhance realism and to avoid the influence of high brand strength on subjects’ responses (Heath et al. 2000; Jin and Huang 2014). In particular, participants were asked to imagine that a good friend sends them a referral regarding a vitamin-enriched beverage. We chose this product category for two main reasons: (1) beverages appeal to both female and male customers, and (2) credence goods are composed of attributes, which are mostly intangible and not easily discernible. Consumers often resort to decision heuristics, such as relying on trusted friends’ recommendations, since they are not able to judge a product’s quality. Therefore, other consumers’ opinions are important, and referrals particularly influential (Lantzy et al. 2014; Siering and Muntermann 2013). We kept the product information the same among all participants (Lowry et al. 2008). Participants were then directed to either the Facebook status update or the Facebook private message. We used 10 percent of the product price for the reward, which constitutes a small reward (Ryu and Feick 2007). The participants in the “referrer reward” condition were informed that their friend would receive a commission of 10 percent for a successful referral. By contrast, the “receiver reward” condition showed a referral with a 10 percent discount code that can be redeemed from the online shop. The use of a relative amount to determine reward magnitude is consistent with the principle of relativity (Heath et al. 2000). The “no reward” condition did not include any reward information. Then, in stage two, participants answered questions about their perceptions regarding the referral.

Measurement Development

The survey instrument was based on validated constructs, to which we applied minor wording changes to tailor them to the experimental context. We measured the likelihood of accepting the referral with three items adapted from Jin and Huang (2014). Participants provided ratings for “Will you refuse or accept the recommendation?” on a 7-point scale ranging from refuse with certainty (1) to accept with certainty (7), and for the items “How likely are you to accept this recommendation?” and “How likely are you to follow the provided URL link to the landing page” on a 7-point scale ranging from not at all (1) to very likely (7). The perceived social presence of the communication type was measured with three bipolar items adapted from Short et al. (1976) and Bazarova (2012) using the semantic differential technique (Osgood et al. 1957). It is important to note that users are not asked to judge the experience of the other but to indirectly assess the effect of the communication type (Short et al. 1976). Pairs of items included “nonintimate–intimate,” “unsociable–sociable,” and “impersonal–personal.” A pretest was conducted to refine scale items and to assess the appropriateness of the treatment conditions (Podsakoff et al. 2003).

Results

Manipulation checks were included for treatment manipulation. To ensure that the public sharing (i.e. status update) and private sharing (i.e. private message) manipulation was effective, we asked participants to identify the target audience for the referral: (a) all of the profile owner’s friends, or (b) only a specific friend. The manipulations of reward schemes were confirmed using true and false statements. Specifically, for the “receiver reward” condition, subjects were asked whether they noticed that they would obtain a discount. In the “referrer reward” condition, subjects were asked whether they had noticed that their friend would receive financial compensation. Not all participants answered the manipulation check in the post-experimental questionnaire correctly. We excluded these participants from the data analysis.

The final sample with 447 valid responses consisted of 175 male and 272 female respondents, with an average age of 23.8 years. Almost two-thirds of the participants reported to have an income of less than €10,000 and 63% a high school diploma. Consistent with previous research (Ross et al. 2009), almost 95% of the participants in this study reported having a Facebook account for more than three years. The majority (56%) reported that they spent 10 - 60 minutes on Facebook every day, and on average they had 326 friends. Tests were conducted to assess whether treatment groups differed in their characteristics. Kruskal-Wallis tests revealed that income and education did not differ significantly across treatment...
groups. Chi-square test results confirmed that the groups were homogenous in terms of gender, Facebook experience, and familiarity with the recommended product. Accordingly, a one-way ANOVA confirmed that participants’ age was equally distributed. Hence, the randomization procedure provided an even distribution of participants’ characteristics.

**Measurement Model**

Partial least squares (PLS) analysis was used to test the measurement instrument. The strength of the measurement model can be demonstrated through measures of convergent and discriminant validity (Hair et al. 2010). We evaluated individual item reliability by examining the loading of each item on the construct and found that the reliability score for all items exceeded the criterion of 0.707 (Chin 1998). The average variance extracted (AVE) of all reflective constructs met the threshold value of 0.50 (Fornell and Larcker 1981). Composite reliabilities and Cronbach’s alphas exceeded the threshold of 0.70 (Nunnally 1978). Furthermore, discriminant validity was assessed by verifying that the square roots of AVEs exceeded inter-construct correlations. The results showed that all items loaded highly on their intended factor (Chin 1998; Fornell and Larcker 1981). Table 3 presents the means and standard deviations.

<table>
<thead>
<tr>
<th>Treatment Conditions</th>
<th>Private Communication Type</th>
<th>Public Communication Type</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No Reward</td>
<td>Receiver Reward</td>
</tr>
<tr>
<td>Social Presence</td>
<td>4.47 (1.49)</td>
<td>4.55 (1.58)</td>
</tr>
<tr>
<td>Intention to Accept Referral</td>
<td>2.30 (1.49)</td>
<td>2.56 (1.65)</td>
</tr>
</tbody>
</table>

**Between-Group Comparisons**

We conducted t-tests for independent samples in order to compare the different groups with regard to the dependent variable. Independent t-tests are suitable for our data analysis, because we compare only two groups with each other. We confirmed that the communication types were successful in creating the required decision-making environment for participants. As expected, participants perceived considerably higher social presence in the private (mean=4.49, SD=1.51) than in the public (mean=1.75, SD=0.84) communication scenario (t(445)=22.895, p=0.000), supporting H1. Furthermore, mean differences of the recipient’s intention to accept the referral were obtained for each of the six communication type and referral program combinations. Table 4 shows the mean differences for the dependent variable and significances.

<table>
<thead>
<tr>
<th>Intention to Accept Referral</th>
<th>No Reward (I)</th>
<th>Receiver Reward (J)</th>
<th>Mean Differences (J-I)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Communication Type (A)</td>
<td>2.30</td>
<td>2.56</td>
<td>0.26</td>
</tr>
<tr>
<td>Public Communication Type (B)</td>
<td>2.27</td>
<td>2.01</td>
<td>-0.26</td>
</tr>
<tr>
<td>Mean differences (A-B)</td>
<td>0.02</td>
<td>0.55*</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intention to Accept Referral</th>
<th>No Reward (I)</th>
<th>Referrer Reward (J)</th>
<th>Mean Differences (J-I)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Communication Type (A)</td>
<td>2.30</td>
<td>2.04</td>
<td>-0.26</td>
</tr>
<tr>
<td>Public Communication Type (B)</td>
<td>2.27</td>
<td>1.81</td>
<td>-0.46*</td>
</tr>
<tr>
<td>Mean differences (A-B)</td>
<td>0.02</td>
<td>0.23</td>
<td></td>
</tr>
</tbody>
</table>

*significant at 5 percent.
As shown in Figure 2, the estimated means of recipients’ intention to accept the referral were plotted for each of the two reward schemes, namely receiver reward and referrer reward. When comparing the influence of private and public communication on the acceptance of an unrewarded referral, we find no evidence supporting a difference in recipients’ intention to accept the referral ($t(166)=0.098$, $p=0.922$). Thus, both communication types in social networks have equal impact, rejecting H2.

**Figure 2. Intention of Referral Acceptance for Receiver and Referrer Reward**

The effect of providing a reward for the receiver compared with the no-reward condition on recipients’ intention to accept the referral was not significant for referrals shared privately ($t(137)=0.983$, $p=0.327$) or publicly ($t(165)=-1.214$, $p=0.226$). Therefore, H3 could not be supported. The results show, in support of H4, that referrals providing a reward for the receiver shared with a specific recipient scored significantly higher than the same referral shared via a public communication type ($t(136)=2.159$, $p=0.033$). As indicated by the pattern of means in Figure 2, both communication types have comparable levels of referral likelihood for unrewarded referrals. By contrast, when a referral provides a reward for the receiver, there is a higher intention to accept referrals shared privately than publicly.

In line with H5, a reward that was disclosed by the referring customer significantly decreased recipients’ intention to accept the referral when a referral is shared publicly. The referral acceptance intention was significantly more favorable when the referral was unrewarded ($t(166)=-2.383$, $p=0.018$). A different pattern was observed for the private communication of referrals. There was no significant effect on referral acceptance likelihood when the referrer shared the referral privately, including the information that he or she will obtain a monetary reward for a successful referral ($t(139)=-1.143$, $p=0.255$). Thus, H5 is partially supported for the public communication type. However, acceptance intention was not significantly different between the two communication types ($t(139)=1.254$, $p=0.212$), rejecting H6. To summarize, when the referral was sent publicly, the disclosure of the referrer reward, compared with the no-reward condition, had a significant negative effect on acceptance likelihood. When the referral was sent privately, the disclosure of the referrer reward, compared with the no-reward condition, did not have any significant effect on acceptance likelihood.

**Discussion and Conclusion**

The increased use of communication tools necessitates an understanding that the performance of online referrals might be different in communication environments of high or low social presence. Scholarly research remains relatively recent and requires further attention. The present study had two goals: The primary goal was to fill a gap in the literature by analyzing the relationships between communication types and referral acceptance concerning the perception of private and public communication types. The secondary goal was to explore the impact of reward schemes, and in doing so, extend the primary goal by clarifying whether referral acceptance intention varies according to different combinations of referral reward programs and communication types.
Consumers perceived higher social presence in the private than in the public communication type. This result supports the position that the degree of social presence varies even between communication types of the same communication tool (Short et al. 1976). However, the intention to accept an unrewarded referral does not differ between the communication types. We used the same personalized referral tone in both communication types. This emphasizes that unrewarded referrals shared publicly with a personalized wording style are as effective as referrals shared privately in social networks.

Two clear conclusions emerge from the study with regard to rewarded referrals. We observed that referral acceptance varies between communication types when companies instigate referrals with rewards. First, the results suggest, in line with the affordance literature, that the negative effect of referree reward disclosure compared with no disclosure on referral acceptance likelihood is especially apparent for referrals shared publicly, because their untargeted and less relational sharing creates a stronger commercial exchange environment. Conversely, in private, one-to-one communication, the impression of a personalized referral is maintained. Recipients attempt to maximize benefits for the relationship as a whole, regardless of which member receives the reward (Kelley 1979; Kelley and Thibaut 1978). Thus, the likelihood of referral acceptance due to the disclosure of the referree reward did not decrease significantly, when the referral was shared in a private and more intimate communication environment. Second, there is no difference regarding referral acceptance likelihood when the referral includes a small reward for the receiver compared with no reward. However, when there is a receiver-rewarded referral, consumers prefer private communication with high social presence over public communication with lower social presence. These results imply that a publicly received referral with a receiver reward increases the notion of an impersonal referral, and recipients prefer to receive the same referral targeted and exclusively through the private communication type. Thus, the likelihood of referral acceptance by the recipient does depend on the perceived social presence of the communication type in case of rewarded referrals. Companies that decide to launch referral programs with receiver rewards should favor communication types that are high in social presence to increase performance measures in social networks. Therefore, companies should not solely rely on rewards to attract new customers but should consider the communication type as well. Marketers should carefully evaluate the degree of social presence of the communication type, and the nature of the referral program to be depicted.

This study contributes to the IS literature on online word-of-mouth and social commerce. It illustrates how communication types impact recipients’ willingness to accept a referral. Thereby, this study provides an avenue for future online referral research by highlighting the importance of the perceived social presence of the communication type when investigating the impact of referrals. The use of communication tools has increased significantly in recent decades, and understanding their dynamics requires further examination.

We acknowledge limitations inherent in the research design. First, this study uses an experimental methodology, which provides high levels of internal validity. The manipulation of specific variables raises general concerns about the study’s external validity. Further research should examine actual transaction data to increase the generalizability of our findings. Second, we focused only on referrals among friends, because research on naturally occurring referrals reports that consumers are more likely to make a valued referral to strong-ties rather than weak-ties (Frenzen and Nakamoto 1993). To control for variation, we examined a single product category. Analyzing data of other product categories could be the subject of future research. Third, our results are mainly based on the perceptions of students, which might have biased the results. However, participants’ experience using social networks was beneficial to the experimental task. In addition, they are a promising target group for social commerce initiatives that aim to leverage communication tools.

REFERENCES


Online Referrals and Communication Types