

Tbilisi 2022 Abstract Submission

Title

Peer reviews: The role of category leaders, home bias, and product familiarity

I want to submit an abstract for:

Conference Presentation

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Keywords

Negativity bias, spillover effects, Sparkling wine, Consumer demand, Peer reviews

Research Question

How does exposure to critics review and to contradictory peer reviews affect willingness to pay? What are the potential own- and cross- effects of peer reviews?

Methods

We developed a survey and collected experimental data on consumers' willing to pay for three sparkling wine products from different regions.

Results

Negative peer scores have statistically significant own-effects. They also produce spillover effects with a significant increase in the WTP for the other wines in all cases but one.

Abstract

In recent years we have witnessed a substantial increase in the volume of peer reviews for many consumer products. Categories where this phenomenon is particularly relevant include experience goods such as movies, books, hotels, restaurants, food and wine. We decided to focus on wine as it is the quintessential experience good: it is highly influenced by opinions and we have witnessed a dramatic increase in the quantity of (and the interest in) community-based (or peer) reviews for wine. Some websites or apps like Vivino provide consumers with electronic word-of-mouth services, which appear to be an important aspect of social networking and contemporary Web use. It is possible for consumers to read the opinions and judgements of other consumers. Peer reviews are expected to serve as a non-trivial social influence that can affect consumer behavior. They produce word-of-mouth effects that can affect seller's popularity, product evaluation, purchase intention, sales, among others, with an impact that depends on the valence (positiveness or negativeness of a review) as well as on the volume of reviews. In such a context, peer reviews and expert reviews both offer independent opinions about wine quality and are concurrently available.

We build on earlier work examining consumers' beliefs and evaluations after exposure to critics review and to contradictory peer reviews to examine the own- and cross- effects of peer reviews on consumers' willing to pay (WTP). We developed a survey and collected experimental data on consumers' willing to pay (WTP) for three sparkling wine products from different regions (France, Spain, and New York). In our surveys and in the experiment we developed here, we present information from both "experts" and "peers" for each wine. We specifically chose three wines with the same scores from a well-known wine-scoring expert, and allowed the peer scores to be equal to, higher than, or lower than the expert scores. The labels for the wines are not revealed to subjects in either the survey or the experiment. These three wines received the same score from the Wine Spectator (88/100). In both our survey and our experiment, we present a range of peer review scores based on an average of recently published Vivino ratings. This generates three peer review scores for each wine, and in each treatment two of the wines are presented with a peer review of 4.4/5 (equivalent to 88/100); the third wine is assigned with a peer review score of either 3.8/5, 4.4/5, or 4.8/5. This arrangement leaves us with nine possible expert-peer scores across the three wines. We exposed all subjects to a series of information rounds; this included rounds with objective information about each wine, a round with subjective information including the expert scores for each wine, and then a round that included the peer reviews for each wine. The lab experiment included an additional round of sensory evaluation (tasting), right after the rounds presenting objective information and before the rounds presenting expert and peer reviews.

Our main results indicate the presence of a negativity bias associated with low peer reviews in two ways. First negative peer scores have statistically significant own-effects for all wines whereas a positive peer score only had a significant own-effect for the New York wine. Second, negative peer scores have important spillover effects; low peer reviews led to a statistically significant increase in the WTP for the other wines in all cases but one. We do not find evidence of a local bias driving the lone positive own-effect for the New York wine, but we do find support that it is associated with subjects that have greater familiarity with wine in general and those that exhibit a higher share of total wine consumption.

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