

Preface

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iBranding: The Impact of Social Media on Corporate Brands

As spending on traditional advertising is slipping, companies display a rising interest in social media and how corporate brands are affected by interactive online communication. In this paper, the author tries to determine whether using social media in a company's marketing mix is beneficial to its brand. Drawing on theories of corporate communications, marketing, sociology and psychology, the author proposes a novel social media branding model, where the relationship between corporate reputation and interactivity and pre-exposure word-of-mouth is mediated by credibility and embeddedness. The author finds that although perceived interactivity leads to higher credibility and embeddedness, which, in turn, boost corporate reputation and post-exposure word-of-mouth, the existence of negative comments are harmful to the brand.

Keywords: online corporate branding, message credibility, website interactivity, social media, electronic word-of-mouth, internet marketing, web 2.0 marketing

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1. Introduction

“The advent of the Internet has created new avenues for reaching people,” proclaimed Charles E. Brymer, chairman of *Brandchannel*, an advertising consultancy, in 2001 (The New York Times, 2001). His statement has been proven right. Barack Obama's marketing campaign heavily relied on Internet channels, especially online social networks, to stimulate funding (TIME, 2007). Companies, too, are embracing social media channels to reach their customers. *Coca-Cola's* Facebook page, for example, boasts more than 5m fans.

Together with the rise of online communication channels spending on traditional advertising is plummeting (The Economist, 2010). Since customers can interact more with each other their market power has magnified. A survey of *The Economist* reveals that customers finally “are kings” due to the possibility to access desired information at their fingertips (The Economist, 2005).

This changing market environment certainly has an impact on the business strategy of many companies. Since traditional marketing strategies are unlikely to work in the future, businesses need to develop new methods about how

to effectively communicate and reach existing and potential customers.

Many firms are currently experimenting with various innovative strategies. In April 2008 *Nike* launched a video clip showing the basketball celebrity Kobe Bryant performing a stunt in *Nike* sneakers. The video has been watched nearly 5m times on *Youtube* and probably many times more through other websites. This clip literally went 'viral'.

Yet, it is of utter importance to firms to know how such online campaigns ultimately affect corporate brands. Some *Youtube* users believe that Kobe Bryant's stunt is a "fake"¹. Many of the other thousands of comments express a similar opinion. Consequently, the effect of this 'viral' video on *Nike*'s reputation is unclear and the company probably would like to have a better knowledge on whether using such media add value to their communication strategy.

Since little literature exists on this topic as the coming sections show, it is the aim of this thesis to close gaps in the knowledge about social media and corporate brands. The next chapter introduces the term social media and is followed by a chapter reviewing and categorizing existing research about online corporate branding. The fourth chapter defines the research objectives and also shows the relevance of such a study. The theoretical framework that forms the basis of this study is elaborated on in chapter five. Chapter six explains the research design and chapter seven presents the outcome of the pilot experiment. The results of the main study are discussed in chapter eight. This is followed by a summary, a discussion about the results, suggestions for further research, as well as managerial and theoretical implications.

¹ Youtube.com. (9. April 2008). *Laker Kobe Bryant attempts massive stunt...and succeeds! Real?* Retrieved 26. March 2010 from Youtube: <http://www.youtube.com/watch?v=yURa9T0-Rjk>

2. Social Media

The term 'social media', sometimes also referred to as 'consumer-generated media' (CGM), "describes a variety of new and emerging sources of online information that are created, initiated, circulated and used by consumers intent on educating each other about products, brands, services, personalities and issues" (Blackshaw & Nazzaro, 2006). Social media is an umbrella term for different types of online communication channels. The most prominent forms can be divided into four categories² (Constantinides & Fountain, 2007; Kaplan & Haenlein, 2010):

- Collaborative projects (e.g. Wikipedia, comparison shopping sites)
- Blogs
- Content communities (e.g. Youtube)
- Social networking sites (e.g. Facebook)

Social media allow consumers to share their opinions, criticisms and suggestions in public. On *Amazon*, for instance, customers can write reviews and rate products. Another example is *Pricewatch*, which lists the cheapest seller of any electronic good. Such services increase market transparency, which consequently magnifies the bargaining power of customers (Constantinides & Fountain, 2007; Ind & Riondion, 2001). Companies, in turn, lose part of their dominance over information flows (Bunting & Lipski, 2000) and are thus less able to exert control over the communication among consumers (Mangold & Faulds, 2009).

These online channels can, in contrast, also be useful to businesses. They offer new ways of talking to customers through company-sponsored content (e.g. online advertisements or customer feedback pages). However, such content is less

² Kaplan and Haenlein (2010) suggest two additional categories, 'virtual game worlds' and 'virtual social worlds'. Both categories, however, attract a highly specific audience and are therefore not of relevance to this thesis.

likely to be as effective as truly ‘viral’ content, i.e. messages transmitted via word-of-mouth (Bunting & Lipski, 2000). A message that is sent by another consumer is perceived as more authentic than company-sponsored content (Parise & Guinan, 2008).

These facts put companies in a dilemma. On the one hand, firms would like to exert control over what information about their brands is being published online. On the other hand, meddling in social media might even exacerbate the prevailing opinion about the brand.

3. Online Corporate Branding

Various articles have been published about online corporate branding, Internet marketing, social media in corporate communications, and online word-of-mouth. These papers can roughly be divided into three categories. First, theory building research; second, empirical studies; and third, papers addressing managerial implications and advisory.

3.1. Theoretical Research

Literature generally agrees that the traditional paradigm of marketing communications has lost its validity in today’s marketplace. Bunting and Lipski (2000) suggest a weaker relationship between corporate communications and reputation, where power is shifted away from corporations towards consumers. Yet, they assure that “[PR professionals] should welcome the emergence of the Internet as a valuable new communications and reputation-building tool” (Bunting & Lipski, 2000).

Ind and Riandino (2001) propose the addition of ‘unplanned communications’ channels into an updated version of Stuart’s brand management model (Stuart, 1999). Such channels influence the corporate reputation and are “[an] important phenomenon” (Ind & Riandino, 2001). Similarly, Mangold and Faulds

(2009) introduce a new paradigm where social media is “a hybrid element of the promotion mix in that it combines some of the characteristics of traditional IMC tools with a highly magnified form of word-of-mouth communications in which marketing managers cannot control the content and frequency of such information (Mangold & Faulds, 2009).

Constantinides and Fountain (2008) suggest that, in addition to traditional marketing stimuli, ‘web 2.0 experience’ also influences consumer decisions. Such online marketing factors are, in contrast to traditional online channels, uncontrollable and are subject to the input of other consumers. Consumers thus influence each other’s decisions through the use of social media channels.

These findings outline a general agreement on the importance of social media in corporate communications. Yet, there exist no broadly accepted theory. Researchers each introduce their own concepts and the absence of a common theoretical base complicates an accepted notion of the impact of social media on corporate brands and reputation.

3.2. Empirical Research

Empirical evidence on the relation between social media and branding is rather precarious as well. Most of these studies exclusively focus on online companies.

The probably largest study in this field has been conducted by Alwi and Da Silva (2007). The authors compare the ‘corporate character’ of two bookstores in the United Kingdom. They conclude that “[the] corporate brand image may vary depending on which context it operates in (online or offline),” but that a generalization of the results to other industries is not possible (Alwi & Da Silva, 2007). In another article these same authors find that the trait approach of human personality developed by Davies et al. (2004) is applicable in a strictly online

setting and suggest further research using their approach.

A framework for “dimensionalizing, measuring and predictingetail quality” is described by Wolfinbarger and Gilly (2003). They find that the quality of an online retailer is determined by reliability, website design, privacy and security, as well as customer service (Wolfinbarger & Gillin, 2003). Similarly, a study among 312 undergraduate students demonstrates that online purchase intention is significantly influenced by the online store’s usefulness, enjoyment, trustworthiness and the settlement performance (Van der Heijden & Verhagen, 2004). A study conducted in Australia proposes a new structural model of ‘e-tailer’ branding where the brand is influenced by navigability, trust, fun and interactivity (Merrilees & Fry, 2002). Da Silva and Alwi (2008) propose that online corporate brand images are determined by the ease of use, security, personalization, customer care, and reliability of corporate websites.

Stuart and Jones (2004) stress the importance of distinguishing between the use of the Internet as a communication tool or as a business. Most of the studies cited above analyze online retailers and thus fall into the second category.

Studies examining the effectiveness of Internet marketing are often technically outdated and are thus only of partial use to managerial decision-making. Phelps et al., for instance, examine how consumers respond to and pass along email (Phelps et al., 2004). Today, however, attention has shifted to truly social media rather than one-way communication methods.

Porter and Golan (2006) compare the content of television commercials with ‘viral’ advertisements and do find differences regarding the advertising appeals (e.g. sex appeals). Yet, the authors do not investigate the effectiveness of the two different marketing forms.

Although empirical evidence of the effects of social media on corporate brands is

limited, the magnitude of ‘viral’ marketing is recognized. An analysis of the effects of word-of-mouth (WOM) at *Friendster*, a social networking site, shows that “WOM referrals have a strong impact on new customer acquisition” (Trusov et al., 2009). The authors add that WOM stimulated by companies, however, is probably substantially less effective than true referrals (Trusov et al., 2009).

3.3. Practical Research

A third type of literature focuses on practical implications of social media and managerial advice. Chen (2001) states “online communities are...a double-edged sword,” since less well-known brands can quickly become popular and pose a threat to more established brands. Rubinstein and Griffiths (2001) thus emphasize the importance of online branding; yet, they agree that the “customer is seizing control”.

Therefore, companies need to establish an emotional bond with their customers (Clauser, 2001). Due to its interactive technology the Internet is “ideal for allowing businesses to create an emotional connection between their consumer and their brand” (Clauser, 2001). Online communities are of particular interest to marketers; however, due to the openness of these networks, ‘undesirable participants’ pose a threat to a company’s brand.

In order to mitigate negative impacts on brands Catalano (2007) proposes certain guidelines and a monitoring-and-analysis program for companies to capitalize on blogs. Blogging in general can be a highly effective tool for public relations efforts. Kent (2008) points out that “blogs can provide an entrée for organizations into previously ‘private’ realms” and that they thus allow a firm to “reach the choir”. According to Rogers (2003), reaching the choir helps when companies seek to communicate with opinion leaders, innovators, and early adopters.

Stuart and Jones (2004) assert “the ability of the internet to build communities needs to be embraced by organizations rather than feared”. The authors urge firms to ensure consistency between the corporate brand and online communications (Stuart & Jones, 2004).

Managers, however, could benefit from more concrete advice on the usefulness of social media in the corporate communications mix. The ‘social media metrics definitions’ published by the *Interactive Advertising Bureau* (IAB) are supposed to fill this gap. These benchmarks allow measuring the success of social media (e.g. a company’s Facebook page) using different measurement dimensions such as unique visitors, page views and time spent (IAB, 2009). Yet, these criteria completely omit qualitative aspects of social media (Fisher, 2009) and should thus be used with caution. For brand managers it is ultimately interesting to know whether views of, for instance, a video on *Youtube* changes the consumer’s perception of the corporate brand.

4. Research Objectives

Corporate branding is an essential part of an organization’s communication strategy. Argenti and Druckenmiller (2004) outline the importance of corporate branding, which “has come into the business spotlight in recent years”. A firm’s financial performance is determined by both the company’s business activities as well as its communication efforts, which in turn determine the corporate reputation (Van Riel & Fombrun, 2007). Corporate reputation can be defined as “subjective, collective assessments of the trustworthiness and reliability of firms [by their stakeholders]” (Fombrun & Van Riel, 1997). The term corporate branding additionally considers whether the promise made by the organization is actually delivered (Balmer, 2001), and can thus be

regarded as an umbrella term that incorporates the features of corporate reputation (Knox & Bickerton, 2003).

Existing theoretical, empirical, and practical studies outline a link between social media and corporate branding. Today companies cannot neglect that online tools are becoming an increasingly powerful tool in managing the corporate brand. However, past research has not clearly identified the relationship between social media and corporate brands and reputation. The knowledge about social media and corporate branding thus needs to advance in order to provide both academia and management with a better understanding of the topic.

The purpose of this thesis is to determine whether *the use of social media in a company’s online communication mix positively influences the corporate brand*.

An online communication mix contains all corporate messages distributed through online channels, such as advertising, press releases, and product information.

Conducting research on this subject is of value to academia and stakeholders in multiple ways. According to Van Tulder and Van der Zwart (2006), stakeholders can be grouped into the spheres government, market, and civil society. With social networking sites alone boasting over 300m active users (Nielsen Wire, 2010), social media is gaining importance for all three stakeholder spheres. Today people spend more than 5.5 hours per month networking and twittering, an increase of 157% over the past two years (Nielsen Wire, 2010).

Social media not only seizes more time from consumers but also is the place where surfers are exposed to advertisements. According to *comScore*, a research firm, 21.1% of all online ads are displayed on social networking sites (comScore, 2009).

A report published by *Netpop*, a think-tank, argues that using the Internet for information and communication is becoming more important to consumers

(Netpop, 2009). Since users rely more heavily on information available online and use social media more frequently to access information, the stake of civil society in social media seems evident.

The market is equally tangled with online communication channels. A study among 297 communication professionals finds that of the organizations questioned “78% use blogs, 63% use online video, 56% use social networks and 49% use podcasts in their organization’s communications initiatives” (Carrabis et al., 2008). Moreover, a survey by McKinsey reveals that at least 37% of the 2,847 managers questioned use or plan to use social networking sites in their public relations (McKinsey, 2007). Follow-up research discloses that of 956 respondents 52% think that new web technologies “increase the effectiveness of marketing” (McKinsey, 2009).

Although a significant share of companies reports measurable benefits, the mediators why ‘it works’ are largely unclear. The fact that many managers also find no benefits when using certain web technologies (McKinsey, 2009) shows that a lot of firms are still experimenting with social media because established know-how is not available yet.

Managers largely rely on quantitative measures (the importance of search engine ranking is mentioned first) (Carrabis et al., 2008); yet, such benchmarks are heavily criticized. Since, at the same time, firms using social media seek to enhance relationships with stakeholders and to improve the corporate reputation (Carrabis et al., 2008), this thesis is of particular importance to management and public relations decision-making.

Also the government has an interest in a better understanding of social media and reputation. In the United Kingdom, for example, the Labour Party recently launched a large-scale social media campaign to boost electoral support (Gordon MacMillan, 2010).

This thesis also adds value to academic theory. As previous research has not focused on a direct link between social media and corporate reputation, this study offers relevant insight for corporate communications theorists. A further aim of this paper is to provide academia with a starting point for future research regarding this field.

5. Conceptual Model

The central assertion of this thesis is that the use of social media in a company’s communication mix positively influences the corporate brand. This paper suggests that ‘credibility’ and ‘embeddedness’ mediate the influence of social media on the corporate brand.

A major attribute of social media channels is that it allows consumers to interact with companies and with each other beyond the firm’s control (Thorson & Rodgers, 2006). There is a significantly strong connection between perceived interactivity and attitude towards websites (Jee & Lee, 2002; Thorson & Rodgers, 2006).

Consequently, this thesis argues that the use of social media in company initiated corporate communication is beneficial in regards to the corporate brand. This statement is based on the findings of various scholars that interactive media increases message credibility and feelings of embeddedness, which, in turn, exert a positive impact on corporate brands.

5.1. *Embeddedness*

People actively chose organizations they can identify with, even if they are not formal members (Bhattacharya & Sen, 2003). The authors refer to ‘embedded relationships’ between customers and companies. These relationships are likely to be “strong, intricate, and trusting, resulting in consumers feeling more like insiders than outsiders” (Bhattacharya & Sen, 2003). Such feelings of embeddedness may occur through the use

of “company-sponsored forums”, the interaction with other company stakeholders through “on- and offline communities”, and the involvement of consumers into the corporate decision making process (Bhattacharya & Sen, 2003).

Consumers that interact with companies feel closer to those organizations and get a feeling of embeddedness. Thorson and Rodgers (2006) confirm that the ability to interact induces consumers to engage in positive word-of-mouth and fosters the creation of an intimate relationship between organization and customer, i.e. causing feelings of embeddedness.

Because social media channels are highly interactive, they serve as an ideal candidate for a platform that promotes such consumer identification. This paper thus introduces the following hypothesis.

H1a: Corporate communication messages appearing on social media channels evoke higher feelings of embeddedness than messages appearing on traditional online channels.

5.2. Credibility

Scholarly research suggests that interactivity in media may also increase the credibility of the message (Beninger, 1987). Bickart and Schindler (2001) suggest that information presented in social media has a higher credibility than marketer-generated information. Gruen et al. (2006) find a significant correlation between the knowledge exchange between consumers and the intentions to engage in word-of-mouth. Electronic word-of-mouth, in turn, is more credible if found on an interactive website, where consumers exchange information and opinions.

Social media allows consumers to publish criticism on the presented facts, thereby quickly exposing fraudulent claims. Therefore, information about or from a company published through social media

channels is more credible than company-controlled messages.

In a study using low and high interactive versions of a political candidate’s website Thorson and Rodgers (2006) find that websites with a high level of perceived interactivity positively influence the attitude towards the website, impressions of the candidate as well as voting intentions. A major mediating factor between perceived interactivity and attitude is trust (Thorson & Rodgers, 2006), which in turn is a part of credibility (Newell & Goldsmith, 2001).

These findings suggest that social media channels are more credible than traditional marketing channels. Since the credibility of online channels matter in regards of message credibility, this thesis proposes the following hypothesis.

H1b: Corporate communication messages appearing on social media channels are more credible than messages appearing on traditional online channels.

5.3. Impact on Corporate Brands

Credibility is an important aspect of corporate reputation (Fombrun, 1996). Various research show that a higher corporate credibility enhances the customer’s attitude towards advertisements and brands, as well as purchase intentions (Goldsmith et al., 2000; Goldsmith & Lafferty, 1999; Shamdasani et al., 2001).

The credibility of advertising messages seems to have a positive influence on the attitude towards the ad as well as the brand (Choi & Rifon, 2002; MacKenzie & Lutz, 1989). This is due to the consumer’s judgment of advertisements and brands based on whether the source is deemed to be trustworthy. MacKenzie and Lutz (1989) cite a study³ saying that credibility can act as a ‘peripheral cue’, which causes

³ Petty, R., & Cacioppo, J. (1981). Attitudes and Persuasion: Classic and Contemporary Approaches. Dubuque: AC Brown.

higher persuasion even when the recipient is not actively processing the message content.

Consequently, there exists a two-way relationship between credibility and brands. On the one hand, corporate credibility, which results from a company's reputation, increases the attitude towards the message. Message credibility, on the other hand, positively influences the attitude towards the brand and the company in general.

The latter construct is of special interest to this research since it has been identified as a possible mediator between social media and corporate brands. Yet, the findings presented above suggest that both relationships are intertwined and that they influence each other. This study thus focuses on companies with no initial reputation; the section 'research design' introduces a fictitious company, where consumers impossibly possess any prior opinion.

This thesis proposes the following hypothesis.

H2a: Message credibility has a positive influence on the corporate brand.

Also consumers' feelings of embeddedness play a vital role in corporate branding, since the creation of so-called 'brand communities' can have a large impact on brand equity (Kotler & Keller, 2008). Such communities occur also online (Muniz & O'Guinn, 2001), particularly through social media. As consumers interact with each other and the company, they feel closer to the organization and the brand (Bhattacharya & Sen, 2003). Various research suggest that such proximity is beneficial to brands (Kotler & Keller, 2008; Muniz & O'Guinn, 2001). According to Kotler and Keller (2008), getting consumers more actively involved with a brand increases 'brand resonance', which is characterized by "the intensity or depth of the psychological bond customers have with

the brand", and which ultimately reinforces brand equity. Consequently, the following hypothesis is proposed.

H2b: Feelings of embeddedness among consumers positively influences corporate brands.

5.4. User Interaction

Social media channels typically display not only the original message written by the author of the page but also comments by various visitors. Such opinions can be very critical about the statement made on that particular page and sometimes also include ratings. Especially product related information is often complemented with user ratings to give potential customers a more complete picture of the marketplace. On Apple's online store, for instance, customers can review and rate any item on sale; the 'magic mouse' has been rated 1812 times and has an average of four stars⁴.

In literature there is a "general agreement that critics play a role" (Basuroy et al., 2003). Cameron (1995) likens criticism to advertising since it "provides information that can be used by consumers in forming the hedonic price of cultural demand". Obermiller and Spangenberg (2000) find that consumers are less skeptical toward information presented in consumer reports or told by a friend than advertisements or sales persons.

With corporate communication messages, however, the situation looks slightly different. Rating a corporate responsibility report, for example, is first less straight forward and second less meaningful than handing out stars to a product, where the reviewer can be more concrete about the pros and cons.

Nevertheless, as companies publish their communication messages on social media

⁴ Apple. (2010). *Apple Magic Mouse*. Retrieved 11. April 2010 from Apple Store (U.S.): <http://store.apple.com/us/product/MB829LL/A?fnod e=MTY1NDA1Mg&mco=MTc0MjYxMDA>

channels, readers often make use of the possibility to state their opinion about the company in general or that message in particular. General Electric's wind energy commercial⁵ on *Youtube* has been viewed more than 150,000 times and features nearly 200 comments. A six-minute speech by Nestlé's CEO Peter Brabeck about genetically modified food⁶ has attracted about 14,000 viewers and caused close to 80 opinion statements.

User interaction clearly plays an important role when companies communicate through social media channels. Consequently, not only the consumers' reaction to the corporate message but also their response to other consumers' opinion needs to be taken into account when determining the influence of social media on corporate brands.

Yet, not all comments are positive and some executives wonder whether allowing the public to read previous criticism does not harm the corporate brand. Mr. Dzubay, publisher of the Hudson Star-Observer, wondered whether negative comments put the credibility of his paper at risk (Post, 2007). As a consequence, his paper took the option to comment down in 2007; in the meantime, however, commenting on the Star-Observer was made possible again.

Scholars, too, find mixed results concerning the impact of negative reviews on brands and sales. Liu (2006) discovers that while the volume of word-of-mouth significantly increases box office revenues, there is no considerable difference between positive or negative reviews. The author argues that while consumer awareness is determined by the volume of word-of-mouth, the valence of word-of-mouth (i.e. whether a review is

positive or negative) does not have a significant impact on consumer attitudes.

Duan et al. (2008) reach a similar conclusion and suggest that online reviews increase consumer awareness instead of directly influencing public opinion. They find that the rating of reviews has "no persuasive effect on consumer purchase decisions" (Duan et al., 2008).

Likewise, a recent study reveals that while negative reviews hurt the book sales of well-known authors, they increase the purchase likelihood of previously unknown books (Berger et al., forthcoming). The authors also attribute these findings to an awareness effect, i.e. that any kind of word-of-mouth increases product awareness.

Basuroy et al. (2003), however, find that during the first week of a film's run negative publicity hurt sales more than positive reviews increase revenues. They pin their findings on the existence of influencers, a person who is "regarded by a group or by other people as a person having expertise or knowledge in a particular subject" (Basuroy et al., 2003).

This thesis aims at investigating to what degree allowing consumers to read comments of other consumers is beneficial to the corporate brand. Clearly, largely positive comments are ought to enhance the brand image. Of special interest, however, is whether publicity with a substantial amount of negative comments is superior to no publicity at all. Previous findings suggest that this could be the case, especially if the company is previously unknown (Berger et al., forthcoming).

This paper suggests that pre-exposure word-of-mouth (*preWOM*), i.e. comments that already exist when the consumer sees the corporate message, influences the corporate brand through credibility. Smith and Vogt (1995) discovered a link between word-of-mouth and the perceived credibility of advertisement. Their study, however, only tests the impact of purely

⁵ Youtube. (17. August 2007). *GE General Electric commercial - Wind Energy*. Retrieved 11. April 2010 from Youtube:

<http://www.youtube.com/watch?v=fViObqGvljM>

⁶ Youtube. (24. March 2008b). *Nestlé CEO Peter Brabeck*. Retrieved 11. April 2010 from Youtube:

<http://www.youtube.com/watch?v=qyAzxmN2s0w>

negative word-of-mouth and says thus little about mixed settings.

East et al. (2008) find that positive word-of-mouth has a stronger impact on brand purchase probability than negative publicity. They argue that the general understanding of marketers that negative word-of-mouth has a higher impact than positive word-of-mouth is mistaken (East et al., 2008). A mixed setting with a similar amount of positive and negative comments could therefore still be beneficial to a company's brand. Similarly, Doh and Hwang (2009) notice that the credibility of electronic word-of-mouth was the highest when there were also some negative comments about a product.

In summary, word-of-mouth in general boosts consumer awareness of brands. While positive comments clearly increase the attitude towards the brand, the strength of the impact of negative word-of-mouth is likely to be less than for positive comments. A setting where both positive and negative comments exist thus probably leads to a more positive brand attitude and a higher degree of credibility than a setting without any word-of-mouth.

H3: Pre-exposure word-of-mouth, even when partially negative, has a positive impact on the credibility of the message.

In social media channels comments and reviews are not simply existent but are actively published by consumers. This thesis also aims at identifying the impact of social media on the generation of new word-of-mouth. Post-exposure word-of-mouth (*postWOM*), i.e. comments

published by a consumer after having seen the message, is largely created by consumers who feel involved with the organization or community.

Hennig-Thurau and Walsh (2003) indicate that consumers engage in word-of-mouth because it causes feelings of community membership. Likewise, Wang and Fesenmaier (2003) identify involvement as the main motivational factor of online community participation.

PostWOM, consequently, is also determined by the degree of embeddedness, which includes feelings of closeness and inclusiveness. This paper thus proposes the following hypothesis:

H4: Feelings of embeddedness foster the creation of post-exposure word-of-mouth.

5.5. Social Media Branding Model

The theoretical frameworks presented in this section can be integrated into the 'social media branding model'. The use of social media channels in corporate communication increases message credibility and evokes feelings of embeddedness among customers. These two effects, in turn, have a positive impact on the corporate brand. Furthermore, allowing comments to be visible to other customers (pre-exposure word-of-mouth) increases the credibility of the message. Lastly, feelings of embeddedness foster the creation of post-exposure word-of-mouth. The entire model is presented in Figure 1.

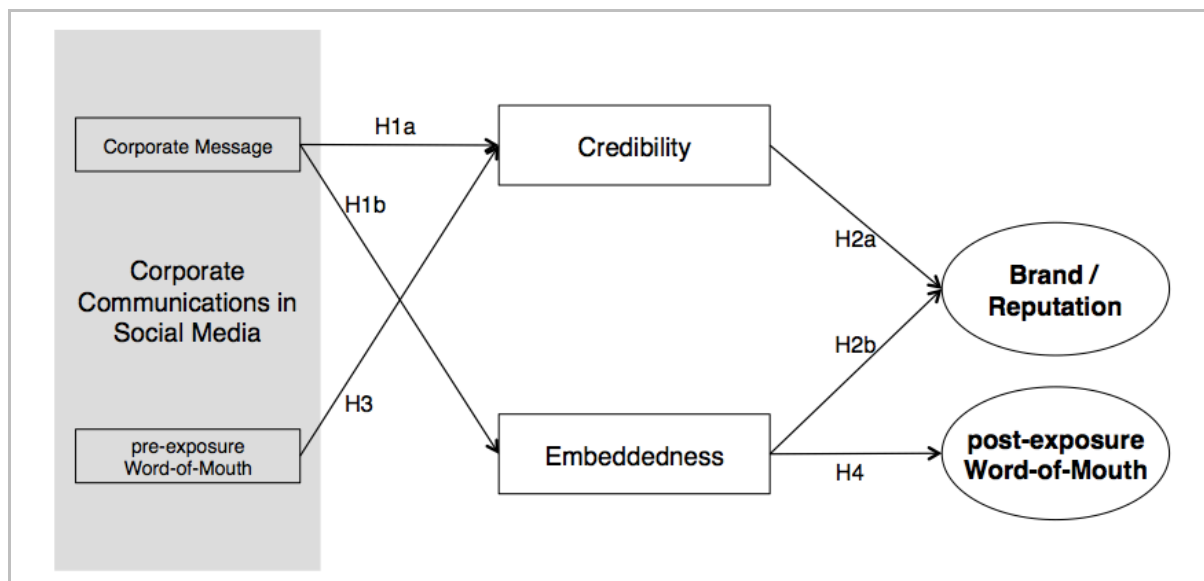


Figure 1: The ‘social media branding model’

6. Research Design

The study of this thesis was planned to examine the relationships between the different elements of the previously developed ‘social media branding model’. The experiment should reflect a naturalistic exposure setting in order to measure truthful consumer perceptions. Since the participants of the study should be unfamiliar with the material used in the experiment, a fictitious company named HappyBev was created to mimic a real company as much as possible.

The company has a logo and a website, which presents a brief history of the firm, an introduction to its product, bottled water called ‘Aqua Montoé’, as well as a text about its water management practices to the reader (see Appendix B). While the first paragraphs have been written by the author for the purpose of this study, the story about its water management was taken from Nestlé Waters’ website⁷. The story claims that the company treats its water sources in a sustainable and environmentally friendly way. These paragraphs provide the readers with

information on which they are later asked to judge the company regarding its credibility, embeddedness, reputation, and whether they would engage in (post-exposure) word-of-mouth.

6.1. Scale Development

The first variable, credibility, is measured by using Newell and Goldsmith’s corporate credibility scale (Newell & Goldsmith, 2001). Based on past research and corporate data of IBM and Exxon, the two authors developed a scale consisting of two dimensions, trustworthiness and expertise, of which each contains four individual items.

To quantify embeddedness this paper makes use of the connection and self-categorization scale developed by Einwiller et al. (2006).

The third variable, reputation, is determined by using the Reputation Quotient introduced by Fombrun et al. (2001). This scale consists of 20 items; yet since not all of them are applicable to the survey material, some adaptations were necessary. Out of the six dimensions only ‘emotional appeal’ and ‘social and environmental responsibility’ were selected and latter was adapted further to

⁷ <http://www.nestle-waters.com/environment/water-care/local-sustainable-water-management.html>

match with HappyBev’s water management story.

Finally, to compute post-exposure word-of-mouth two questions were taken from a scale developed by Maxham (2001) while the author of this thesis created two additional questions specifically for this study.

These four question compounds are followed by a series of manipulation check and control variables. See Appendix A for a detailed overview of the scales before and after the alterations including the additional questions.

6.2. Manipulating Interactivity and Word-of-Mouth

Interactivity is manipulated by creating two versions of HappyBev’s website, one with a low and one with a high degree of interactivity. Similarly to Thorson and Rodger’s (2006) study, the first version displays only HappyBev’s corporate message without any possibility to interact with the website, while the second version provides the visitor with the possibility to write a comment about the corporate message. The website makes the visitor believe that his message will be published within the following 24 hours on the main webpage.

The second version of the website is further split up into four different groups in order to manipulate (pre-exposure) word-of-mouth. In addition to the two versions described above, scenarios three, four and five each display ten existing comments, while scenarios one and two do not show any comments. Since this paper wants to examine the full impact of preWOM scenarios with a different ratio of positive to negative comments are essential.

According to Doh and Hwang (2009) who analyzed the impact of online product reviews on product attitude, purchase intent and credibility, a ratio of eight positive to two negative reviews yields the highest credibility. Similarly, scenario three also has a ratio of 8:2. In contrast,

scenario four has a ratio of 5:5 while scenario five has a ratio of 2:8 of positive to negative comments (see Figure 2).

Scenario 1: not interactive, no comments
Scenario 2: interactive, no comments
Scenario 3: interactive, 8:2 comments
Scenario 4: interactive, 5:5 comments
Scenario 5: interactive, 2:8 comments

Figure 2: Scenario overview

Since Doh and Hwang (2009) only tested positive allocations with a ratio of 6:4 or above, the settings examined in this study are of special interest for this field of research, since negative publicity online can exert a lot of damage to businesses (eReleases, 2009).

Similar to Doh and Hwang’s study, the comments were gathered from existing social media, such as Blogs or Youtube. In order to match with HappyBev’s material the comments have been slightly adapted.

7. Pilot Results

The effectiveness of the manipulation of interactivity and preWOM is crucial to obtain valid results. A qualitative pilot study with five Master students of the Rotterdam School of Management revealed that there is a significant difference between scenario one and the other scenarios in regards to the perceived interactivity of the website. The average difference of the perceived interactivity was 5 on a scale from 1 to 10.

Moreover, the tone of the comments was interpreted correctly: scenario three was perceived to have mostly positive comments, while the comments of scenario five were regarded as mainly negative. Yet, two out of five participants did not actively read the comments because they were “not interested in what others had to say”. In order to capture this potentially interesting finding in the following study, the question how many of

the comments the respondents have read has been included.

After some improvements, HappyBev’s website and its corporate story were perceived as very credible by all participants. Also the comments were seen as authentic, after the length of the comments and the style of the avatars were varied stronger.

8. Study Results

Data was gathered through an online experiment. This study aimed at gathering at least 195 complete responses, which is sufficient for measuring medium effect sizes in ANOVAs with five groups at $\alpha=0.05$ (Cohen, 1992). Of 339 persons participating 205 complete samples could be used (the others did not complete the survey).

The first step in evaluating the results is to check the consistency of the distribution of participants’ gender, nationality, education and age as well as the control questions across the five groups. This is followed by an analysis of the reliability and factor analyses of the scales used in the experiment. The third step involves examining the manipulations of interactivity and tone of comments. Lastly, the hypotheses are tested using regression analyses in step four.

8.1. Descriptive Statistics

A total of 99 females and 106 males participated in the survey. A chi-square test reveals no significant differences of gender distribution among the five groups. Due to the high level of internationality among the participants, nationality was divided into ‘western’ and ‘non-western’ countries, using Huntington’s classification (Huntington, 1997). There are no significant differences among the five groups in regards to the total 117 western and 88 non-western respondents. Most of the interviewees are either Bachelor (103) or Master (95) students

from the Rotterdam School of Management and the University of Zurich. Seven participants do not possess a university degree, however. The chi-square test shows that differences among the five groups do exist (see Table 1); yet, since five cells have an expected count less than ‘5’ the results might not be meaningful. Indeed, by excluding the respondents with a high school diploma, the chi-square test shows no more disparities.

Nevertheless, further analyses were conducted both with and without these seven samples to check whether there are significant differences between the two data sets. As no significant differences could be found it is thus assumed that the distribution of education among the five groups is consistent.

	Pearsons Chi-Square (asympt. sig. 2-sided)
Gender	3.007, df=4 (0.557)
Nationality	1.189, df=4 (0.880)
Education	3.061, df=4 (0.548)
	[15.782, df=4 (0.046) using original data set]

Table 1: Chi-square tests of participant statistics

The mean age of all participants is 24.98 years. An ANOVA test shows that there are no significant differences in the mean age across the five groups (significance between the groups = 0.613).

A total of four control questions were asked. On average, participants think of themselves as being very familiar with the internet (6.62 on a 7-point Likert scale). Respondents like using social media a lot (6.06 on a 7-point Likert scale). 97% of the survey respondents say to have a profile on a social networking site whereas only 73% use social media to retrieve information about companies or products. The distribution of the answers is not significantly different across the five groups (see Table 2).

	ANOVA F-Values (sig. between groups)
I am familiar with using the Internet	0.366, df=4, 199 (0.833)
I like using social media	1.155, df=4, 196 (0.332)
I have a profile on a social networking site	0.562, df=4, 200 (0.691)
I use social media to retrieve information about companies or products	1.148, df=4, 199 (0.335)

Table 2: ANOVA of control questions

8.2. Scale Validities

The reliability of the four scales, credibility, embeddedness, reputation, and word-of-mouth, was analyzed using Cronbach’s Alpha. The two negatively formulated questions in the credibility scales (‘HappyBev does not have much experience’ and ‘I do not believe what HappyBev tells me’) were inverted before calculating Cronbach’s Alpha.

All scales have an Alpha >0.80 and can thus be used as a reliable scale (Garson, 2010) (see Table 3). Three items would slightly improve the Alpha of their scale if removed. ‘HappyBev does not have much experience’ would increase the Alpha of the credibility scale by 0.008 while ‘I do not believe what HappyBev tells me’ would increase it by 0.001. The Alpha of the embeddedness scale would be heightened by 0.015 if the item ‘employees of HappyBev are probably similar to me’ were removed. Since the improvements are extremely small and due to the high Alphas the scales are not altered in any way.

	Cronbach’s Alpha
Credibility	0.856
Embeddedness	0.925
Reputation	0.944
Word-of-Mouth	0.889

Table 3: Cronbach’s Alphas of scales

To further examine the validity of the four scales a factor analysis is conducted. The ‘elbow bend’ of the scree plot of a principal component analysis reveals that there are indeed four different components across the items of all four scales (see Figure 3).

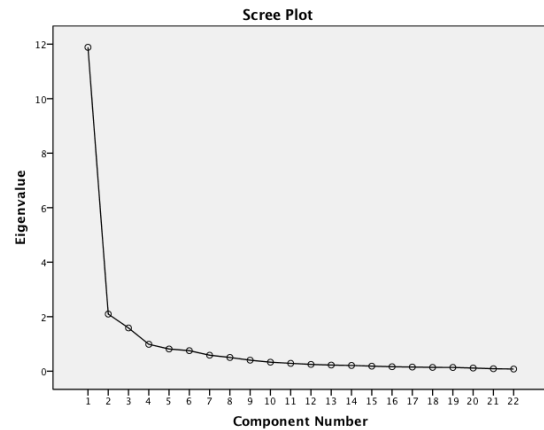


Figure 3: Scree plot of principal component analysis

The principal component analysis was therefore run again with four factors and rotated using the Varimax procedure. The rotated component matrix can be interpreted as component one being reputation, component two being embeddedness, component three being credibility and component four being word-of-mouth (see Appendix C).

Five of the total 22 items are not associated with the corresponding component, i.e. they correlate best with a component linked to the scale other than they belong to. The four items of the trustworthiness dimension of the credibility scale seem to correspond best with the component associated with reputation. This finding is probably not too surprising, since the questions of trustworthiness items and reputation items are very alike; two questions are even identical (‘I trust HappyBev’). The thought that trustworthiness and expertise could be divided into two components has been proven wrong: a second principal

component analysis with five factors did not change the picture.

The fifth item, ‘I will talk positively about HappyBev’, belongs to the word-of-mouth scale. Although it is best associated with the reputation component (factor loading = 0.581) the correlation with the word-of-mouth scale has a similar strength (factor loading = 0.503). For this study, the scales are used in their primary format despite these two irregularities.

8.3. Manipulation Checks

The experiment conducted in this study employs two manipulations, website interactivity and tone of comments. The experiment was designed in a way that the first group (‘traditional website’) sees a website with little possibility to interact, while the other four groups (‘social media’) are presented a much more interactive website. They can post comments, which the website of the first group does not allow.

An ANOVA reveals that although the mean interactivity score (on a 7-point Likert scale) is slightly higher for the social media groups than for the traditional website, the difference is not significant on $\alpha=0.10$ (significance between the groups = 0.167) (see Table 4).

	Mean
Traditional Website (group 1)	2.90
Social Media (group 2,3,4,5)	3.25

Figure 4: Means of interactivity scores

A Fisher’s least significant difference test with each group treated separately shows that although group one’s mean interactivity score is lower than the mean of all other four groups, the differences are again not significant on $\alpha=0.10$ except for the difference with group three (see Table 5).

	Group 1 Mean Differences (Significance)
Group 2	0.418 (0.220)
Group 3	0.575 (0.100)
Group 4	0.173 (0.617)
Group 5	0.350 (0.315)

Table 5: ANOVA post-hoc of interactivity mean scores

One reason for the weak differences could be an invalid scale used to measure interactivity. This study asked participants to rate “the interactivity of HappyBev” on a 7-point Likert scale. Liu (2003), for instance, developed a scale to measure interactivity consisting of 15 items divided into 3 dimensions. One dimension focuses on ‘two-way communication’, which is exactly the factor that is being manipulated in this study. Such a scale would most likely capture perceived interactivity better than the one-dimensional item used in this study.

Another possible reason is that the manipulations were not strong enough to create two significantly distinguishable websites. This experiment used the possibility to post a comment on the company’s website to evoke a sense of interactivity. In many cases, however, social media is more complex than posting single comments. Users can also interact with each other, i.e. a user can comment on another user’s comment and so on.

Participants of the pilot study did not have any troubles understanding the question of how interactive the website is. A most likely reason why there was a large difference between the interactive and non-interactive website regarding their interactivity score is that participants were shown both versions. This comparison allowed them to see that one website was indeed more interactive. The final study, however, did only present one version to the participants.

Consequently, although interactivity is measured correctly, the possibility to post comments is not strong enough to make

the website being perceived as very interactive. When compared to a website without such a possibility, however, the contrast becomes stark. Therefore, for the validation of the social media branding model the score of perceived interactivity is used instead of the five different groups to capture the level of interactivity.

Now it certainly is interesting what influenced the participants' perceptions of interactivity. A regression analysis with perceived interactivity as the dependent variable and the control questions as independent variables reveals that actual interactivity as manipulated in the study and region have an impact on perceptions (see Table 6). A second regression (model B) with insignificant variables removed shows that while actual interactivity slightly increases perceptions, coming from a Western country significantly decreases perceptions of interactivity by about 0.5 points.

<i>Model A</i>	Beta (Significance)
Constant	2.483 (0.110)
Interactivity	0.424 (0.135)
I am familiar with using the Internet	0.133 (0.499)
I like using social media	-0.033 (0.766)
Age	0.003 (0.899)
Gender	0.026 (0.908)
Education	-0.075 (0.715)
Region	-0.482 (0.041)
<i>Model B</i>	Beta (Significance)
Constant	3.158 (0.000)
Interactivity	0.407 (0.134)
Region	-0.492 (0.024)
<i>Model B</i>	Model Summary
R Square	0.034
R Square (Adjusted)	0.025

Table 6: Regression analysis of perceived interactivity

Apparently the manipulations of interactivity did work out but were too weak to draw a clear line between

interactive and non-interactive groups. The low R square (R square = 0.034) of the adjusted model strongly suggests that there are other variables influencing perceived interactivity, which have not been captured within this experiment.

The second manipulation included the display of comments in a different tone, mostly positive (group three), neutral (group four), and mostly negative (group five). The differences in the mean of the tone of the comments across the three groups are obvious and highly significant (significance between groups = 0.000) (see Table 7).

	Mean
Positive Comments (group 3)	5.31
Neutral Comments (group 4)	3.76
Negative Comments (group 5)	2.87

Table 7: Tone of comments scores

Participants were also asked to rate the influence that the comments had on their perception of HappyBev on a 7-point Likert scale. Interestingly, an ANOVA shows that the influence is not the same across the three groups (significance between the groups = 0.001). Negative comments seem to have a greater influence on people than positive comments (see Table 8). A Fisher's least significant difference test shows that the mean of group 5 is significantly different (significance < 0.01) from the means of group 3 and 4, while the divergence between group 3 and 4 is not significant (significance = 0.226).

	Mean
Positive Comments (group 3)	3.33
Neutral Comments (group 4)	3.83
Negative Comments (group 5)	4.92

Table 8: Influence of comments scores

One way of possibly explaining this finding is to look at how many comments people say they have read (on a scale of 0 to 10). People again state that they have read more comments in groups 5 and 4 than in group 3 (significance between groups = 0.054) (see Table 9). A Fisher's least significant difference test shows that only the difference between positive against neutral and negative comments is significant (significance = 0.056 and 0.025, respectively).

	Mean
Positive Comments (group 3)	4.85
Neutral Comments (group 4)	6.41
Negative Comments (group 5)	6.68

Table 9: Means of number of comments read

This finding, in turn, suggests that the more comments people read, the higher the influence of the comments on their perceptions. A regression of 'comments read' as the independent variable and 'comments influence' as the dependent variable confirms this conjecture (beta = 0.257, significance = 0.000).

A next conjecture is that the number of comments read depends on the tone of the comments, i.e. the more negative the comments the higher the interest of the reader to actually read them. A regression of 'comments tone' as the independent variable and 'comments read' as the dependent also supports this proposition (beta = -0.501, significance = 0.016).

A significant direct relationship between comments tone and comments influence also exists, using influence as a dependent variable (beta = -0.334, significance = 0.001). These findings suggest that negative comments cause a higher interest in people to read more comments, while reading more comments increase the influence that comments exert on the final perceptions. Yet a study designed to measure these effects is needed in order to

confirm the exact causality between the different variables regarding the tone and influence of comments.

8.4. Model Testing

The social media branding model previously introduced in chapter five contains four hypotheses that are analyzed in this section. Hypothesis 1a and 1b look at the impact of the setting in which the corporate message is published on credibility and embeddedness. As the previous manipulation check revealed perceived interactivity is used to capture the online media setting. Regression analysis is employed to test these two hypotheses.

Model 1a:

$$\text{Credibility} = a + b1 * \text{Interactivity} + e$$

Model 1b:

$$\text{Embeddedness} = a + b1 * \text{Interactivity} + e$$

Regression analyses of both models confirm a positive link between perceived interactivity and the dependent variables credibility and embeddedness, respectively (see Tables 10 and 11).

Model 1a	
	Beta (Significance)
Constant	3.933 (0.000)
Perceived Interactivity	0.199 (0.000)
	0.328 (standardized)
	Model Summary
R Square	0.107
R Square (Adjusted)	0.103

Table 10: Regression analysis of model 1a

Model 1b	
	Beta (Significance)
Constant	2.166 (0.000)
Perceived Interactivity	0.372 (0.000)
	0.415 (standardized)
	Model Summary
R Square	0.172

R Square (Adjusted)	0.168
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Table 11: Regression analysis of model 1b

The coefficients of both models are highly significant, which suggests not rejecting the hypotheses. Also the ANOVA F-tests confirm the validity of the models. Yet, especially model 1a seems not to be a very good predictor of future outcomes (R square = 0.107). One major reason for this outcome is that hypothesis 3 proposes an impact on credibility by pre-exposure word-of-mouth, which can be combined into a model jointly with perceived interactivity. Two additional models are used to test hypothesis 3 alone (model 1c) and together with hypothesis 1a (model 1d):

Model 1c:

$$\text{Credibility} = a + b1*\text{preWOM} + e$$

Model 1d:

$$\text{Credibility} = a + b1*\text{preWOM} + b2*\text{Interactivity} + e$$

An analysis of hypothesis 3 independently of hypothesis 1a also shows highly significant coefficients, a robust ANOVA F-test but, again, a rather low R square (R square = 0.118) (see Table 12).

Model 1c	
	Beta (Significance)
Constant	3.636 (0.000)
preWOM	0.204 (0.000)
	0.344 (standardized)
	Model Summary
R Square	0.118
R Square (Adjusted)	0.111

Table 12: Regression analysis of model 1c

The combined model definitely is a better predictor of credibility than the two single versions (R square = 0.215) (see Table 13). Both coefficients are again highly

significant and their betas did not change much compared to the single models.

Model 1d	
	Beta (Significance)
Constant	3.076 (0.000)
preWOM	0.182 (0.000)
	0.306 (standardized)
Perceived Interactivity	0.197 (0.000)
	0.313 (standardized)
	Model Summary
R Square	0.215
R Square (Adjusted)	0.201

Table 13: Regression analysis of model 1d

Hypotheses 1a and 1b are confirmed on the grounds of highly significant coefficients and robust ANOVA results. Nevertheless, these findings need to be digested with some wariness. The low values of R square, although somewhat better in the combined model, might indicate that either the variables are measured poorly or that other factors are being omitted.

In order to test hypothesis 3, an ANOVA least significant difference test is conducted because the independent variable preWOM only contains samples that have existing comments (i.e. samples of the groups 3, 4 and 5). The regression analyses in models 1c and 1d thus estimate the influence of tone of comments on credibility. Yet, it is also of interest to compare the means of credibility between the groups with comments (groups 3, 4 and 5) and the group without (group 2). Since the interactivity in those four groups remains the same, the only manipulations conducted are the existence of comments and the tone of comments.

While group three is slightly more credible than group two, which has no comments at all, groups four and five score significantly lower on the credibility scale (see Table 14). This implies that while the existence of largely positive comments is slightly beneficial to the message credibility, as

soon as the amount of negative comments reaches a certain point message credibility is significantly decreased.

	Group	Difference	Sig.
Group 2	3	-0.0428	0.833
	4	0.3762	0.064
	5	0.4291	0.036
Group 3	2	0.0428	0.833
	3	0.4190	0.044
	4	0.4719	0.024
Group 4	2	-0.3762	0.064
	3	-0.4190	0.044
	5	0.0529	0.798
Group 5	2	-0.4291	0.036
	3	-0.4719	0.024
	4	-0.0529	0.798

Table 14: ANOVA least significant differences of credibility

Therefore, hypothesis 3 cannot be confirmed on the grounds that even in the neutral setting credibility is by far lower than in the group without any comments. An additional ANOVA testing the impact of comments on embeddedness reveals a similar outcome. Embeddedness too is negatively affected by the existence of negative comments (see Table 15). Even the group with mostly positive comments has a slightly lower value of embeddedness, although the difference is not significant.

	Group	Difference	Sig.
Group 2	3	0.1505	0.616
	4	0.5176	0.083
	5	0.8342	0.006
Group 3	2	-0.1505	0.616
	3	0.3672	0.229
	4	0.6836	0.027
Group 4	2	-0.5176	0.083
	3	-0.3672	0.229
	5	0.3166	0.299
Group 5	2	-0.8342	0.006
	3	-0.6837	0.027
	4	-0.3166	0.299

Table 15: Regression analysis of model 2

Hypotheses 2a and 2b propose a positive causality between credibility and embeddedness and the dependent variable

reputation. Model 2 combines the effects of both credibility and embeddedness on reputation.

Model 2:

$$\text{Reputation} = a + b_1 * \text{Credibility} + b_2 * \text{Embeddedness} + e$$

Both coefficients are highly significant and the ANOVA F-tests suggests that the model is robust. Furthermore, model 2 seems to be a good predictor (R square = 0.673) (see Table 16).

Model 2	
	Beta (Significance)
Constant	-0.359 (0.188)
Credibility	0.766 (0.000) 0.538 (standardized)
Embeddedness	0.374 (0.000) 0.383 (standardized)
	Model Summary
R Square	0.673
R Square (Adjusted)	0.670

Table 16: Regression analysis of model 2

Based on the outcome of the regression of model 2 hypotheses 2a and 2b are confirmed. Since the coefficients are highly significant and the model is robust there are no reasons for concern regarding this result.

The last hypothesis, which suggests a positive impact of embeddedness on post-exposure word-of-mouth, is tested using the following model.

Model 3:

$$\text{postWOM} = a + b_1 * \text{embeddedness} + e$$

This model is estimated twice, one time using only the data gathered with the word-of-mouth scale presented earlier in this paper (postWOM1) and a second time with the additional question of whether the participant would like to share HappyBev’s website with his friends on Facebook (provided he or she has a Facebook profile). For the second analysis

all scale items were standardized and weighted equally to be ultimately combined into the dependent variable postWOM2. In both versions the coefficient is highly significant and very similar in value (the standardized coefficient is nearly identical). The ANOVA F-tests reveal that the models are very robust and the R square measures indicate that the models are fairly good predictors (see Tables 17 and 18).

Model 3 (postWOM1)	
	Beta (Significance)
Constant	0.897 (0.000)
Embeddedness	0.709 (0.000)
	0.715 (standardized)
	Model Summary
R Square	0.511
R Square (Adjusted)	0.508

Table 17: Regression analysis of model 3

Model 3 (postWOM2)	
	Beta (Significance)
Constant	0.654 (0.002)
Embeddedness	0.810 (0.000)
	0.708 (standardized)
	Model Summary
R Square	0.501
R Square (Adjusted)	0.499

Table 18: Regression analysis of model 3

Due to a higher ANOVA F value and a greater R square postWOM1 is preferred to postWOM2. Since the standardized values of the coefficient are basically identical, there is no reason of concern when omitting the Facebook question in the regression.

Hypothesis 4 is therefore confirmed due to a highly significant coefficient, and a solid model.

In summary all hypotheses except hypothesis 3 are confirmed while some reservations exist still. Although all regression coefficients are highly significant, the models of hypotheses 1a, 1b and 3 do not produce high R square values. Figure 4 presents an overview of the relationships between the tested variables using standardized beta coefficients. For hypotheses 1a and 3 the model 1d is used, as its R square is superior to the models 1a and 1c. PostWOM1 is preferred over PostWOM2 since the regression yields a higher R square while the coefficients are basically identical.

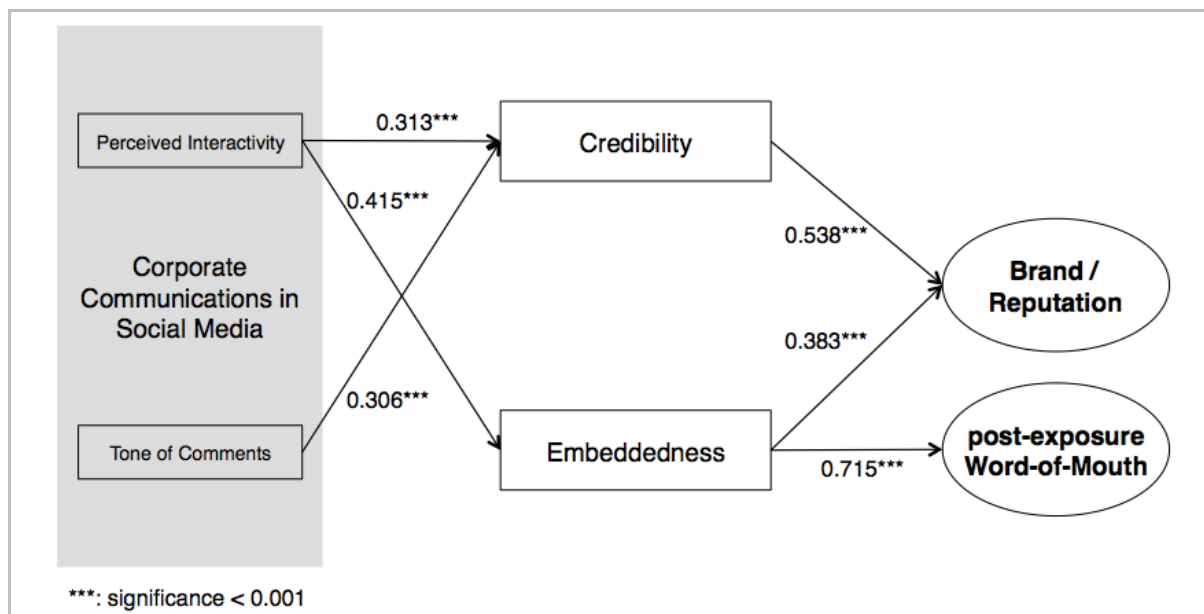


Figure 4: Regression results of the ‘social media branding model’

9. Conclusions

9.1. Summary

Companies are increasingly concerned about the impact of social media on their brands. Greenpeace, for instance, attacked Nestlé regarding its palm oil suppliers whose practices endanger the orang-utan. Its Youtube movie ‘have a break?’⁸, which shows an employee chewing an orang-utan finger in the shape of a Kit-Kat, had been watched 1.5m times and caused 200,000 protest emails (The Economist, 2010). After trying to “bury the nasty spoo” Nestlé suspended all orders from the accused supplier (The Economist, 2010). Social media clearly are a powerful channel, which can even break the biggest conglomerates. In contrast to traditional websites, social media allow consumers to interact with each other. Greenpeace’s video, for example, prompted 488 comments so far; while some are denouncing Nestlé, others are rather in favor of the food giant. Since the company was unable to stop the video from

spreading around the globe, its management most likely is interested in the impact of such propaganda on its corporate brand.

The two factors that make social media a unique channel are the interactive functionality, i.e. the ability to respond to what has been published, as well as the possibility to read what others have commented on the message so far. This results not only in an interaction between consumers and the company but also between visitors themselves.

Scholarly theory (Beninger, 1987; Bickart & Schindler, 2001; Thorson & Rodgers, 2006) suggests that interactivity of websites increases the credibility of corporate messages. This is due to the fact that the possibility to directly respond to a company’s claim makes the firm reluctant to publish claims that are quickly denounced. This interactive link also functions as a bridge between consumers and the company thus evoking feelings of embeddedness among consumers.

Although existing comments (pre-exposure word-of-mouth) boost consumer awareness, their impact on consumer attitude is rather ambivalent (Basuroy et

⁸ Youtube. (17. March 2010). *Have a Break?*
Retrieved 18. July 2010 from Youtube:
<http://www.youtube.com/watch?v=VaJjPRwExO8>

al., 2003; Berger et al., forthcoming; Duan et al., 2008; Liu, 2006). While positive comments obviously increase the credibility of the corporate message, negative comments are thought to be less beneficial. Nevertheless, mixed settings with partially negative and positive word-of-mouth should, according to previous research (East et al., 2008; Doh & Hwang, 2009), still have an elevating effect on credibility.

Corporate reputation, in turn, is positively affected by credibility, as outlined in contemporary corporate communication literature (Fombrun, 1996; Goldsmith & Lafferty, 1999; Goldsmith et al., 2000; MacKenzie & Lutz, 1989).

Finally, higher feelings of embeddedness are also beneficial to corporate reputation since consumers feel more connected to the firm and are thus more concerned about the firm's state, which is consistent with Bhattacharya and Sen (2003), Kotler and Keller (2008), and Muniz and O'Guinn (2001). Consumers that have higher feelings of embeddedness are also more likely to engage in (post-exposure) word-of-mouth, as shown by Hennig-Thurau and Walsh (2003) and Wang and Fesenmaier (2003).

9.2. Discussion and Future Research

The experiment conducted in this paper basically confirmed all hypotheses developed on the basis of past research except hypothesis 3, implying that the existence of negative comments hurt the credibility of the message. Using five different versions (non-interactive, interactive, and with different sets of comments) of a website of a fictitious company called HappyBev, regression analyses produce highly significant results. The probably most unexpected finding is that the existence of comments does not boost credibility and has even a slightly negative, although not significant, impact on embeddedness. While positive comments do not harm the company, negative comments, even when appearing

together with positive reviews, harshly decrease message credibility. They also harm embeddedness.

These findings, however, might not be that surprising after all. Since participants were more strongly influenced and read more comments when the comments were more negative stresses that although positive comments would probably boost credibility, people are simply not really interested in reading those comments. Therefore, positive comments are rather skipped when reading a message on social media and are thus unable to exert much influence on consumer attitude.

This is consistent with the category diagnosticity approach introduced by Skowronski and Carlston (1989), which states that in case of "equal but opposite cues" the negative information is assigned more weight. This negativity bias is explained by the fact that negative or extreme cues are more informative than positive or moderate ones. For instance, a person who robs a bank (negative cue) might also pay taxes on his property (positive cue), but is still perceived as being dishonest (Skowronski & Carlston, 1989). Baumeister et al. (2001) go further by stating that "bad is stronger than good in a disappointingly relentless pattern". They find that even when correcting for explanations such as the category diagnosticity approach, "any reversals are likely to remain mere exceptions" (Baumeister et al., 2001).

Such negativity effects might also have an impact on the relationship between embeddedness and the tone of comments. Although interactive websites are likely to evoke higher feelings of embeddedness among consumers, the existence of negative comments could reduce the resulting boost in reputation. In fact, when there are a lot of negative comments, the increase in credibility due to interactivity might be much lower than when comments are mostly positive. This suggests a moderating role of the tone of comments on the impact of interactivity on

embeddedness. This implies that the tone of comments ultimately has a greater influence on reputation than interactivity and that firms should pay greater attention to what is being written (message content) than where it is being published (message setting). The current additive model does not take into account a difference in influence of the message content on reputation from the message setting. It is thus the task of future research to analyze such a moderating role, especially since negative comments can have an immense impact on company's business practices, as Nestlé's story shows.

Not all confirmed hypotheses, however, could be accepted without hesitation, alas. The manipulation of interactivity did not work out as planned despite good results in the pilot study. Although the interactive versions were perceived as being slightly more interactive than the non-interactive website, the differences are statistically not significant.

The manipulation of interactivity therefore was probably not strong enough. Instead of simply adding an area where visitors can post their comments as done in Thorson and Rodger's (2006) study, interactivity probably needs to be more complex like on today's major social networking sites, where users can also comment on existing posts and where they can recommend certain parts to their friends.

Perhaps participants also have different expectations what an interactive website consists of; yet, since most participants said to be very experienced internet users this conjuncture cannot be verified at this point.

The major drawback of this study therefore is that instead of using actual interactivity as manipulated in the different versions of HappyBev's website, perceived interactivity is used instead to measure whether the website is interactive or not. One limitation of this is the possibility of reverse causality, i.e. that it is not clear whether perceived interactivity

leads to higher credibility and embeddedness or the other way round.

Yet, evidence from Thorson and Rodger (2006), who find that perceived interactivity is a better predictor of the attitude towards the website than interactivity itself, points towards a good direction. Indeed, a regression analysis testing what elements captured in this study might impact perceived interactivity shows that interactivity does have an influence on perception. Interestingly, participants coming from Western countries evaluate the website with a lower value of interactivity.

Yet, a very low R square value implies that some other major factor influenced interactivity perceptions. One possible complication of the discrepancy between interactivity and perceived interactivity is that it is not clear why exactly participants evaluated the same version of the website with a different score of perceived interactivity. There might be elements at play which are not influenced by whether a website is traditional or social. Then, although perceived interactivity does influence credibility and embeddedness, social media would not boost the perception but some other, yet unknown, factor.

The low R square values obtained from the regression analyses of hypotheses 1a and 1b point towards that direction, since low R square values usually indicate that there is some other factor, which is not regressed, influencing the dependent variable. In order to obtain clearer results in regards to the impact of interactivity on credibility and embeddedness, a second experiment that uses stronger manipulations of interactivity should be conducted.

An additional factor that has an impact on credibility is pre-exposure word-of-mouth, which, when included in the regression, boosts R square to a more acceptable but still rather low level. When pre-exposure word-of-mouth is used as the sole estimator of credibility, R square is also

very low. These findings might pinpoint credibility to be the scapegoat, i.e. to be badly measured. Yet, the scale for credibility has been extensively validated (Newell & Goldsmith, 2001) and the Cronbach alpha is very high, proving the robustness of the scale. Consequently, there is most likely a third (and perhaps even a fourth) factor influencing credibility and embeddedness.

It is thus the task of future research to examine such possible influencers. A first step is to repeat the experiment conducted in this thesis while adapting the way interactivity is manipulated. By drawing a clearer line between the version that represents the traditional website and the version that is ought to be social, interactivity and perceived interactivity should be more congruent with each other. That could minimize measurement errors and hopefully produce models that are better estimators. A second step also involves further study of past literature in order to find possible other estimators of credibility and embeddedness, which have not been analyzed in this study.

An additional explanation of the low R square values could be that credibility and embeddedness are ill chosen mediators. Yet, a regression analysis using reputation as the dependent variable and perceived interactivity and pre-exposure word-of-mouth as the independent variables does not yield a high R square either (R square = 0.316). When estimating reputation using the mediators credibility and embeddedness (model 2) the model is a good predictor (R square = 0.673) and the coefficients are highly significant.

Both credibility and embeddedness thus clearly have a positive impact on reputation as predicted by theory. Furthermore, higher feelings of embeddedness lead to more post-exposure word-of-mouth (model 3). Both R square and coefficient are significant and therefore leave no room for concern.

9.3. Managerial Implications

Implications for management resulting from this research are threefold. First, this study shows that credibility and embeddedness do have a highly significant, positive influence on corporate reputation. Therefore, companies should be concerned about how to increase these two factors. Moreover, consumers are more likely to engage in positive word-of-mouth if they feel closer to the company, i.e. when embeddedness is high.

Second, the results of this paper reveal that an increase in perceived interactivity leads to a higher credibility and stronger feelings of embeddedness towards the company. Managers clearly can build on this by communicating with their customers through channels that are perceived to be more interactive. One factor of increasing interactivity is actual interactivity, meaning that very interactive media, such as social media, increase the perceptions of visitors.

Third, admitting visitors to read existing comments on the website does only slightly heighten the credibility of the company when the comments are very positive, while negative comments clearly hurt the company. In settings with 5:5 and 2:8 positive to negative comments credibility was substantially lower than for a case where no comments were displayed. This is because consumers are more interested in negative comments; they read more comments when there is a higher proportion of negative opinions and they claim that they are more influenced by the comments as they become more negative. Positive comments, in contrast, are not really considered and their impact on credibility is thus rather weak.

Consequently, when a company has to choose between allowing consumers to read comments that are substantially negative and not presenting any comments at all, the findings of this study suggest that latter option ultimately results in a higher credibility of the company.

This study overall shows that while some elements of social media are beneficial to corporate brands (e.g. the ability to post comments), other characteristics are rather negative (e.g. the presence of negative reviews). Managers who take such factors into account will be more able to make optimal use of online channels.

9.4. Academic Implications

For academics this thesis adds to their knowledge in two ways. First, it confirms the impact of social media on corporate reputation as suggested by various empirical studies (Alwi & Da Silva, 2007; Merrilees & Fry, 2002; Van der Heijden & Verhagen, 2004; Wolfinbarger & Gilly, 2003). These studies examined mostly online retailers whereas current situations often involve companies that publish information online without directly selling products. This paper shows that social media exerts a major influence on corporate reputation also in these settings and should therefore leverage academic interest in this area of research.

Second, this study develops a comprehensive social media branding model with theory drawn from relevant literature in the field of corporate communications, marketing, sociology and psychology. This framework could act as a basic notion for future research in this field since no common ground has been reached so far, as outlined earlier in this paper.

9.5. Concluding Remarks

With more people being active on social media, these interactive online channels are certainly gaining importance also for branding experts. This paper has shown that companies should pay attention to these new forms of communication since their reputation certainly is or will be affected by it. The insights gained in this study can help decision makers capitalize on the possibilities of online communication. Nike is probably still

looking for the answer whether the Kobe Bryant video was beneficial to the shoemaker's brand; yet, the answers of this study can give only preliminary cues and have to be further examined. Future studies have to concentrate not only on the aspects of interactivity, but also on strategies how a company can mitigate the impact of negative comments or spur the publication of positive contributions. With such insights, firms are best equipped for the new age of corporate communication – *iBranding*.

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11. Appendix A

Original Scales	Modified Scales
<p>Credibility HappyBev has a great amount of experience. HappyBev is skilled in what they do. HappyBev has great expertise. HappyBev does <u>not</u> have much experience. I trust HappyBev. HappyBev makes truthful claims. HappyBev is honest. I do not believe what HappyBev tells me.</p>	<p>Credibility HappyBev has a great amount of experience. HappyBev is skilled in what they do. HappyBev has great expertise. HappyBev does <u>not</u> have much experience. I trust HappyBev. HappyBev makes truthful claims. HappyBev is honest. I do not believe what HappyBev tells me.</p>
<p>Embeddedness I am somewhat associated with HappyBev. I have a sense of connection with HappyBev. I consider myself as belonging to the group of people who are in favor of HappyBev. HappyBev are probably similar to me. Employees of HappyBev are probably similar to me.</p>	<p>Embeddedness I feel associated with HappyBev. I have a sense of connection with HappyBev. I consider myself as belonging to the group of people who are in favor of HappyBev. HappyBev are probably similar to me. Employees of HappyBev are probably similar to me.</p>
<p>Reputation I have a good feeling about HappyBev. I admire and respect HappyBev. I trust HappyBev.</p>	<p>Reputation I have a good feeling about HappyBev. I admire and respect HappyBev. I trust HappyBev.</p>
<p>HappyBev stands behind its products and services. HappyBev develops innovative products and services. HappyBev offers high quality products and services. HappyBev offers products and services that are a good value for the money.</p>	
<p>HappyBev has excellent leadership. HappyBev has a clear vision for the future. HappyBev recognizes and takes advantage of market opportunities.</p>	
<p>HappyBev is well-managed. HappyBev looks like a good company to work for. HappyBev looks like a company that would have good employees.</p>	
<p>HappyBev supports good causes. HappyBev is an environmentally responsible company. HappyBev maintains high standards in the way it treats people.</p>	<p>HappyBev has a responsible approach to water management. HappyBev is an environmentally responsible company.</p>
<p>HappyBev has a strong record of profitability. HappyBev looks like a low risk investment. HappyBev tends to outperform its competitors. It looks like HappyBev with strong prospects for future growth.</p>	
<p>Word-of-Mouth I will talk positively about HappyBev. I will recommend HappyBev to my friends. Given my experience with HappyBev, I will not recommend them to my friends. If my friends are looking for a beverage, I will tell them to try HappyBev.</p>	<p>Word-of-Mouth I will talk positively about HappyBev. I will recommend HappyBev to my friends. I will talk about HappyBev on blogs and social networking sites. I will invite friends to learn more about HappyBev online.</p>

Red color indicates that the item has been altered or added.

12. Appendix B

HappyBev Main Website

Welcome to HappyBev.com



Home	Our Beverage	Water Management	Comments
----------------------	------------------------------	----------------------------------	--------------------------

written by HappyBev on Apr 19 3:21PM

About HappyBev

HappyBev is a beverage company, which produces premium bottled drinking water. It was founded in 1935 by René Gandolfini, a Swiss entrepreneur of Italian origin. The company's headquarters are located in Geneva, Switzerland. HappyBev currently has about 350 employees who are located all around the world. HappyBev's financial performance was solid throughout the past two decades and the company faces fair growth prospects. Nevertheless, HappyBev is proud to present you with its innovative water management practices.

Our Beverage

We make customers happy by producing premium drinking water. The water is gathered from Montoé springs in France and our premium treatment preserves the water's fresh quality and superb taste. Moreover, we also make the environment happy by applying cutting-edge water management practices (see below). Our water contains all minerals necessary for a healthy and active lifestyle. Our bottled water is also a great way to be used in home-made sodas, teas and smoothies.



HappyBev Montoé Aqua® 

Water Management

Protecting groundwater sources is critical to the ecosystems and communities where we live and work. In a given geographical area, HappyBev seeks out and manages sources that can be used in a long-term, sustainable way.

Hydrogeology expertise

Therefore, we support legislation that protects groundwater for future generations. We always comply with local legislations and sometimes exceed them, applying our own internal standards, if they are considered to be insufficient.

We rely on a dedicated Water Resources Department, which provides advice and monitors water resources daily to ensure good stewardship. Our hydro-geologists implement protection measures on the recharge areas, and evaluate water flow volumes in cooperation with local authorities.

Our hydro-geologists also evaluate water quality and the investment that would be required to develop a new site (geological surveys, quality analysis, drilling). They review at least one year's worth of data on potential water sources and rely on historical variations in seasonal weather patterns to understand the situation and ensure adequate water flow.

Integrated water management

We are committed to respecting the interests of our neighbors and the communities where we do business. We also believe it is important to work with all the groups involved to obtain the best results possible in protecting water resources, watersheds and land.

As a company, we strive to meet on a regular basis with those concerned, including local community members, government officials and non-governmental organizations, to discuss the potential impacts of water use on the ecosystem.

Our Montoé springs are an excellent example (see photo on the right). They are located in the mountains in the East of France surrounded by fields and forests. In the early 70's, more intensive farming practices led to concerns about imbalances in the local ecosystem.

In 1975, a team of researchers set out to determine how to maintain high agricultural yields while preserving the quality of the spring water. Tests were conducted, and that led to scientifically based recommendations. Later, in 1992, the company established an agricultural advisory firm called HappyAgri. This initiative is now referenced as a unique, remarkable example of involvement in water protection.



HappyBev Comment Posting Function

Post Your Comment

HappyBev Comments (Examples)

Comments

no photo

Dave Posted on May 13th 2010 9:23AM
«I choose to sow your money into small businesses such as HappyBev and not large corporations, that's the socially responsible thing to do. I am turned off by corporations and greedy CEOs.»

Maria Posted on May 11th 2010 5:48PM
«I am a Mexican irrigation engineer. I work as a teacher in a high school, and one of the subjects I teach deals with use and conservation of water and soil. My english is not very good, but I think I understand almost all of the vocabulary used on this page. Then, I'm going to translate it to my students. I hope I'll do pretty well. I hope you include more materials about conservation of natural resources. Thank you.»

Mike Posted on May 6th 2010 1:05AM
«Water is a universal solution; water gives life to living things. Keep it up guys; saving lives is a very precious moment for all of us.»

Howard Posted on May 2nd 2010 3:56PM
«You are doing a very good thing giving people the clean water that they need so much. GOD bless you!»

no photo

Jenn Posted on Apr 27th 2010 10:14AM
«I'm sure that HappyBev must bring whatever water it uses for its products to a specific purity standard, but the reality is that they then add substances, such as Dichloromethane or Toluene, to it to make it intrinsically bad for humans. As long as they, and everyone who drinks their products, continue to ignore the fact that they are detrimental to human health, they will continue to be detrimental to human health.»

Direct link to survey introduction page: <http://www.davideberle.com/survey/index.html>

Direct link to scenario 1: <http://www.davideberle.com/survey/happybev1.html>

Direct link to scenario 2: <http://www.davideberle.com/survey/happybev2.html>

Direct link to scenario 3: <http://www.davideberle.com/survey/happybev3.html>

Direct link to scenario 4: <http://www.davideberle.com/survey/happybev4.html>

Direct link to scenario 5: <http://www.davideberle.com/survey/happybev5.html>

13. Appendix C

Rotated Component Matrix^a

	Component			
	1	2	3	4
HappyBev has a great amount of experience.	.120	.126	.876	.156
HappyBev is skilled in what they do.	.361	.212	.764	.145
HappyBev has great expertise.	.311	.294	.702	.237
HappyBev does not have much experience.	.069	-.052	.806	-.076
I trust HappyBev.	.791	.336	.179	.087
HappyBev makes truthful claims.	.795	.232	.063	.125
HappyBev is honest.	.802	.235	.049	.141
I do not believe what HappyBev tells me.	.409	.157	.238	.232
I feel associated with HappyBev.	.282	.819	.097	.265
I have a sense of connection with HappyBev.	.324	.823	.064	.285
I consider myself as belonging to the group of people who are in favor of HappyBev.	.438	.751	.124	.248
HappyBev is probably similar to me.	.276	.798	.187	.258
Employees of HappyBev are probably similar to me.	.290	.655	.128	.175
I have a good feeling about HappyBev.	.786	.350	.207	.227
I admire and respect HappyBev.	.687	.397	.254	.304
I trust HappyBev.	.762	.409	.183	.171
HappyBev has a responsible approach to water management.	.782	.174	.280	.212
HappyBev is an environmentally responsible company.	.791	.185	.204	.247
I will talk positively about HappyBev.	.581	.267	.186	.503
I will recommend HappyBev to my friends.	.470	.302	.193	.679
I will talk about HappyBev on blogs and social networking sites.	.184	.401	.046	.805
I will invite friends to learn more about HappyBev online.	.240	.294	.117	.823

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.