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Making and breaking sales through 'word of mouse'

Nicholas Thompson/NYT NYT

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Early this year, the wrath of the World Wide Web rained down on Intuit Inc. when its TurboTax software programs displeased some customers, who then promptly posted their grievances all over Internet forums.

The velocity in the spread of those critical remarks created a crisis for the company and a colorful case study for the budding academic field that examines the dynamic of online reputations.

In January, soon after TurboTax's release, angry customer reviews flooded Extremetech.com, CNET.com, Slashdot.org and many other sites that allow the public to contribute product reviews. Much of the criticism was aimed at anti-piracy features in the software that made it hard for a customer to install the program on more than one computer and created the impression among some that Intuit was tracking users surreptitiously. On Amazon.com, one reviewer wrote, "This reeks to high heaven!" Comments descended from there.

The Intuit chief executive, Stephen Bennett, responded quickly by sending e-mail messages to angry customers assuring them that Intuit was not spying on them. He managed to halt a brewing boycott.

A more positive example of online reputation-building was the box office success of "My Big Fat Greek Wedding," which received a slew of favorable early reviews on Web sites, which may have helped the film compensate for a small advertising budget.

Although it is hard to quantify the extent to which online reviews affect sales of particular products, the Internet's ability to quickly tarnish or gild reputations has interested businesses for many years.

Academic interest in the field has grown recently, spurred by the availability of more data as the Internet ages and by recognition of the importance of understanding the dynamics of online reputations.

In late April, the Sloan School of Management at the Massachusetts Institute of Technology was host to a conference, financed by the National Science Foundation, on "reputation mechanisms in online communities." At the conference, academic experts in game theory, sociology and marketing discussed how "word of mouse" influences businesses and how eBay and other e-commerce companies can better manage the quality of the information the public posts on Web sites and reduce the risk of fraud online.

"The data are a researcher's playground," said Paul Resnick, an associate professor at the University of Michigan School of Information and one of the organizers of the MIT conference.

Chris Dellarocas, an MIT professor and an organizer of the conference, said he was interested in the potential of online reputations "to transform long-standing institutions like the legal system, the traditional media and advertising."

Resnick runs a Web site devoted to research looking at online reputations, databases.si.umich.edu/reputations/. Nearly half of the more than 100 papers on the site were added in the first five months of this year.

Scholars wrote many of the papers, but some come from corporate researchers. For example, Claudia Keser of IBM Research submitted a paper that used principles of game theory to examine how a site like eBay can best measure the reputations of individual online sellers and buyers. IBM financed the work, according to a spokeswoman, because it believed that kind of research would increase e-business in the long term.

The potential financial implications of online reputations are substantial. "The more consumers come to trust the opinions posted on online forums, the less effective traditional advertising will become in influencing consumer behavior," Dellarocas said.

Amazon.com, for example, has eliminated its entire budget for television and general-purpose print advertising, putting the money it saves into free shipping on qualifying orders over \$25.

"Word of mouth is still important because it reaches people who may not be e-commerce shoppers yet," said Bill Curry, a spokesman for Amazon. "Word of mouse is important because on the Web you can reach so many more people beyond your circle of friends."

In hopes of obtaining positive word of mouse, some companies send free products to prominent reviewers on such sites as Epinions.com, even if those reviewers have no official credentials. Others use these reviews as promotion. LapLink, a company specializing in file transfer products, lists an Epinions review from "lucie30" on its Web site, right between a review from PC Magazine and one from ZDNet, a Web technology publication. Lucie30 ambiguously gives a location of "a small island in the intercoastal."

One reason online forums increasingly influence other institutions' reputations is that the forums themselves have developed sophisticated techniques for measuring the reputations of their contributors, thus controlling the jabber that often comes with the ease and anonymity of posting online.

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