

## Choosing Who To Buy From: Why User Reviews Are More Important Than Just A Low Price in E-Commerce

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Consumers today have both more options of goods to buy and more information about those goods than ever before. Now, shopping in an e-marketplace involves the consideration of more products and more sellers at more price points. In such a complex commerce world, how do you develop the right price strategy and increase sales? My findings, recently published in the *Journal of Advertising Research* (“How Do Consumers Choose Sellers In E-Marketplaces”) show that the cheapest version of a product is not always the one chosen. Products with strong word of mouth may have greater preference.

There are interesting dynamics at hand. Observational and eye tracking research on anchoring (the lead or display priced product) and eWOM (seller review volume, also known as Electronic Word of Mouth) was conducted.

Let's look at what happens in a highly competitive category like consumer electronics. If you search for Microsoft Xbox One on Newegg, you come up with 17 sellers offering the product. The price displayed in the search results was the **lowest** price (\$249) and appeared on the product detail page in a bold font. But in another instance involving Samsung Galaxy phones, the price listed in bold was not the lowest price. This price, termed as the display price of the product, acts as an **anchor price** with which all other prices are compared. Anchor prices like these are key, as they create a temporary representation of that number in our short-term memory that influences further evaluation.

So, beyond price and how and where that price appears on the page, what makes the difference? User-generated word of mouth. More so than what those reviews say, even the sheer volume of them has influence. eWOM in product sales can be divided into reviews of the product as well as reviews of the seller, and there are three aspects to reviews: valence (the nature of the content, or whether it is positive or negative), volume and dispersion of reviews.

To investigate the high review volume over price factor, eye tracking research was done with both high and low price points as display prices. Besides the choice of the seller for each product, eye movements and fixations were recorded. Areas of interest (AOIs) were created for all the stimuli (display prices, seller-review volumes, and seller prices). Once again, despite the price in the display unit, review volume had more impact. Display price acted as an anchor and biased further evaluations of the sellers.

When a low price is used as the display price, consumers likely will purchase the product from the low-price seller only if that seller has high review volume. Similarly, when the high price is used as the display price, consumers more likely will purchase the product from the high-price seller if that seller has higher review volume than others. Given this, e-marketplaces that rank on price should consider ranking on the basis of review volume of sellers.

Review volume — positive, negative, modest or glowing — is what makes the sale. To get their customers to write reviews, marketers and sellers should treat their customers with great care and offer incentives to do so. For example, they can make appeals about posting a review in purchase confirmations and any follow-up emails to increase response rate. They also can show examples of reviews that answer factual questions and give detail about the product, rather than purely attitudinal statements that do not add to the general knowledge base.

The key takeaway for e-marketplace sellers and marketers is that many online marketplaces are choosing the featured price from those with high review volume, and therefore, more reviews will ultimately benefit the seller.

Source: <https://retailtouchpoints.tumblr.com/post/179312357407/choosing-who-to-buy-from-why-user-reviews-are>