“The Effect of Word of Mouth on Sales: Online Book Reviews”

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1- Introduction

J. Chevalier and D. Mayzlin in their paper wanted to show us the reviewer behaviour in the two main online booksellers’ sites: BarnesandNoble.com and Amazon.com, and they examined the effect of consumer reviews on firms’ sales. In that aim they saw the influence of the online user reviews on consumers like word of mouth about the quality of books. Quickly it appears different problems.

Why do consumers need to leave reviews? Do they have to buy books where they find good reviews on? Consumers can leave wrong reviews on a site as authors and publishers can leave favourable reviews on their sites which make a bias in the results.

In their works they tried to determinate the direction of causality between word of mouth and product sales by comparing the sales of a given book across the two booksellers. But in order to be common to both booksellers, they examined the relationship between market shares and customer reviews for a given book across the two sites. It appears that the two sites are very similar in terms of customer preferences and reviewer behaviour and they examine the positive and negative reviews on sales.

In the following parts, they described the data and the methodology before to present results on the distribution of reviews and sales across sites and the empirical analysis of the effect of “word of mouth” reviews on product sales.
2- Data

They have collected data from Amazon.com and BarnesandNoble.com on individual books and their user reviews. The goal was to generate a representative sample of sites’ sales. First, they have chosen recent books in order to maximize the probability that a book would be available on both Amazon and Barnes and Noble. They used a sample of books from two bestsellers list as Global Books in Print published in 1998-2002 and Publisher’s Weekly bestsellers list from January 1991 to November 2002. They have chosen the International Standard Book Number (ISBN) of each book which allowed them to leave unique a book and to choose all the information to know about the review ranking and the star rating.

It appears that the average sales ranks and the average prices in the sample are very similar across the two sites. But they have shown that Amazon books are more reviews than BarnesandNoble ones as opposed to the price which are significantly higher in BarnesandNoble.

3- Process

It’s then necessary to explain the reviewing process and the distribution of reviews. First, compare to Ebay those two sites received less reviews. In fact it’s easy to post different reviews of a book in Amazon or BN.com, but in Ebay its link to purchase. Result is that it’s impossible to compare the overall sales of the books to the number of reviews.

Comparison is available to star rating, the two sites presents high average and variance. Ebay is different because peers rate each other. The effect of star rating on the sales is therefore different in these two cases.

The difficulty is to be able to measure the review’s impact. The length demonstrates that a stress was provided, and in another way it show the “mixed” proposed in this reviews. A review is shorter when it’s rated 1 or 5, whereas it’s longer if it has been rated between 2 and 4. Amazon’s reviews are longer than BN.com ones because their consumers are more nuanced. That’s why the preferences are different across the user of the two sites.
On these aspects we can conclude that standard deviation normalizations are identical for all categories and the magnitudes are similar across the sites for most categories.

4- Effect on sales

The other axis of analysis was to compare the impact of the features of reviews. The important is to determinate the effects of reviews on sales. The objective is to compare the relationship between a book’s customer review and its market share across site. The observations put forward that when price rise at BN.com, sales rank become larger. The absolute value of the price coefficient is larger at BN.com, the sale rank respond more to price at BN.com than at Amazon.

This two sites sale rank are lower, and the sale are higher, when there are more reviews. The other observations are that one star review has a larger impact than a five stars one. But it’s possible that consumers didn’t buy a book on the site but decide to add reviews, and many times reviews are two month old. Therefore the explanation is that the reviews are “stale” relative to the sales ranks and the ranks reflect current sales, the reviews are the opinions of past buyers.

5-Conclusion

To conclude, the relative share of a book across the two sites is link to two differences. First the number of the reviews for that book, and in another way the average star ranking of the reviews. This explains the causal impact of word of mouth on purchasing behavior, but it’s not sure that retailer benefit from providing such content.