

ABSTRACT

The Effect of Online Consumer Reviews on New Product Sales:

A Study of Amazon.com

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In recent years, online word-of-mouth (WOM) communication in the form of online consumer reviews has become a major information source for consumers planning to purchase a new product. With the help of online reviews, consumers can access diverse opinions from others who have bought or used the new products before making their purchase decisions. This study compares the impact of online reviews on the sales of two types of new products (experience vs. search products) over time, in terms of the volume and valence of online consumer reviews. Using the data collected from Amazon.com over a period of nine months, we find that the volume of online consumer reviews has a greater effect on the new product sales in the late stage of product life cycle (PLC) than in the early stage of PLC. Moreover, the effect of valence of online consumer reviews is greater than that of volume of online consumer reviews. Online negative consumer reviews affect new product sales more than online positive consumer review, but not in a negative way. The results also indicate that the volume and valence of online consumer reviews have greater impact on experience products than search products. The findings suggest that online consumer reviews provide a meaningful decision aid to consumers planning to purchase new products and that online WOM gains momentum over time and significantly affects the sales of new products beyond the initial period. Practitioners need to pay greater attention to online WOM, devise suitable marketing strategies, and promote consumer advocacy to generate positive reviews when they launch new products. They may also incorporate the valuable consumer feedback in the development of new products.