

{Thought in Action} *faculty minds*

• What are you thinking about?

• A: CONSUMER BEHAVIOR AND SOCIAL NETWORKS

Marketing professor **Puneet Manchanda** focuses his research on building empirical models to address such strategic marketing issues as the role and use of social media, resource allocation, word-of-mouth marketing, and customer relationship management. His most recent work has focused on marketing strategy problems in the online media, pharmaceutical, high-tech, gaming, and insurance industries. Manchanda is an associate editor at *Management Science* and *Quantitative Marketing and Economics*, and he is on the editorial boards of several marketing journals. In a recent survey published in the *Journal of Marketing*, Manchanda was named one of the most prolific marketing scholars from 1992-2006.

What are you thinking about? I'm focusing on online interactions, typically lumped under the umbrella term "consumer-generated media," to better understand consumer behavior and derive implications for companies.

Why is it interesting to you? Companies cannot just use a one-way communication strategy anymore. Today consumer reaction/involvement plays an important role in shaping communication, product design, and perhaps even market share, sales, and profits.

But we don't have much clarity about whether there is a change in market outcomes based on consumers' changing roles (in terms of media creation and dissemination). And if there is a change, how should we measure it and act on it? I'm working with Ross doctoral students Hiroshi Ohnishi, Grant Packard, and Adithya Pattabhiramaiah to answer these questions using novel data and models.

We asked, "Do blogs matter?" (not just in terms of activity but also in terms of outcomes). We looked at product launches in three Japanese markets (bottled green tea, movies, and cell phones) and found the volume of blogs post-launch is predictive of actual sales. We also found that the pre-launch use of traditional media (i.e., TV advertising) increases blog volumes but has no effect post-launch. In other words, company actions prior to launch get consumers talking and influencing each other on electronic media, leading to a strong relationship between blog volumes and sales. We believe this is the first study that relates blogging activity to market outcomes and documents the relationship between "old" and "new" media (TV ads vs. blogs).

Another interesting finding from a different analysis suggests that an individual's online network is essentially a replication of his/her offline

network. That is, electronic media only seem to facilitate the sustenance of physical networks rather than act as a conduit for consumers to build broader and richer networks.

What implications do you see for industry? Take the role of online brand communities: It is never clear whether these communities play a causal role in influencing outcome behavior. We looked at data from one of the largest entertainment and media product websites in North America. We found that just becoming part of the brand community seemed to causally increase the amount spent by brand community participants by about 25 percent. We now are digging into the exact mechanics of the increase so we can compute the social multiplier, which represents the free benefit to companies via amplification of social entities influencing other entities. Then we can advise the company on the best use of resources.

Sometimes firms try to use or manipulate social media without understanding the impact of their actions. We studied one brand community in which some of the firm's employees joined the community and recommended products. They did so in a completely transparent manner. Even so, their recommendations had a modest negative effect on sales. This was very surprising since the anecdotal evidence from the firm was that recommendations from employees in the offline world generally influenced sales in a positive manner.

Companies would do well to invest in systems to track and analyze consumer-generated media. The "holy grail" is the detection of a link in which members in a network causally impact other members' behavior. If this link exists, companies can use the data to come up with the social multiplier and allocate their resources in a more optimal fashion.

✦ —Deborah Holdship

