

Does Tie-Strength Matter In Consumer`s Recommendation? How Receiver Respond to Incentivized Word-Of-Mouth

Abstract

This paper examines receiver`s perspective on incentivized WOM by propose the components of incentive which can propel the success of incentivized WOM. A series of experiments are executed using Mobile-coupons as a novel tool of WOM. For fostering the dynamics of WOM interactions, we also take into consideration of the underlying of the relationship between sender and receiver. The result shows that the magnitude of incentive in incentivized WOM tends to lead to unfavourable attitudes from receivers independent of whether the senders are from strong or weak-ties. In addition conditionality in incentive also play a significant role that can shape receiver`s intention to participate in incentivized WOM.

Keywords: *Incentivized WOM, Component of Incentive, Sender and Receiver Perspective, TPB (Theory Planned Behaviour)*

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1. Introduction

Offering consumer with incentive to engage in WOM activity is very common method in companies' marketing strategy (Ryu & Feick, 2007). It is undeniable that a consumer has a number of motivations that make them being involved in WOM activities. One of the motivation to engage in WOM activity is economic motive or because there is an incentive involve in WOM activity (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004). Encourage consumer to engage in WOM activity with incentive is not a simple method for company. Company might not only offer an incentive for the sender of the WOM activity but also its recipient. The impact of incentive in WOM activity might not only affect the sender of WOM content but also its receiver or recipient, particularly when firms offering incentive to both sender and receiver or (Ryu & Feick, 2007) called it as "Reward both" strategy.

The relationship between sender and receiver in WOM activities whether it is incentivized or not is an important and well-paid attention by the firms. In the WOM activity, a consumer will interact with many parties which come from the various tie-strength spectrum, from strong-tie (family) up to weak-tie (friend and acquaintances) (Wirtz & Chew, 2002). In the context of incentivized WOM and sender-receiver relationship, Ryu & Feick, (2007) stated that sender should send incentivized WOM for weak ties rather than for strong ties because the strong tie receiver will naturally do the WOM voluntarily without any consideration on incentive. However with weak ties, senders are more likely to recognize the economic benefit of the reward and do not worry as much about social and psychological cost and benefits.

Consumers whether they act as sender or receiver will cope with a complex yet confusing situation when they are intend to engage in incentivized WOM. Sender and receiver as the key actors of WOM activity have a different consideration to engage in incentivized WOM. From the sender perspective, they might start to think of the suitable receiver of incentivized WOM. Meanwhile from the receiver's perspective, they will start to think of the fairness in the distribution of incentive. The receiver's consideration regarding the WOM content with incentive in it that they have received from the sender at the end will influence their attitude and intention to engage in incentivized WOM.

To understand receiver's attitude and behavioral intention in redeeming M-coupon, we propose that the theory of planned behaviour (TPB) provides a good foundation on how a receiver would response to incentivized WOM with particular component incentive in it. To give the new insight regarding component of incentive we proposes three components of incentive that considering sender and receiver as the key actors of WOM activity, namely; (1) Differences of incentives between sender and receiver (Thaler, 1988; Xiao, Tang, & Wirtz, 2011; Ahrens & Strahilevitz, 2007); (2) Conditions of incentive (Myerson, Green, Scott Hanson, Holt, & Estle, 2003; Libai, Biyalogorsky, & Gerstner, 2003). In addition, this study takes into consideration the tie strength between sender and receiver of the Incentivized WOM.

To give a comprehensive perspective on receiver's respond to incentivized WOM, therefore this paper addresses the following research questions: "Is there any influence of component of incentive, namely *difference of incentive* and *condition of incentive* in incentivized WOM on the receiver attitude, intention to participate in incentivized WOM?" Our study will utilize the simplest form of incentivized WOM through mobile technology, namely mobile coupon sharing by forwarding the coupon to others. According to (Hsueh & Chen, 2010), the sharing of mobile coupon has not been addressed in most eWOM studies to date.

2. Theory and Hypothesis

According to research on behavioral economics field, people will be more motivated to perform a particular behavior if they receive a large amount of incentive (Ahrens, Coyle, & Strahilevitz, 2013). However it is still a dilemma for company when they have to provide incentive for both parties of incentivized WOM (sender and receiver) or “reward both” program. Should a company provides sender and receiver with equal number of incentive or unequal, as discussed above, the difference of incentive between sender and receiver will lead to the difference of reaction from them.

As we have explained in introduction section that we have proposed two component of incentive namely difference of incentive and condition of incentive, thus in this section, we attempt to justify the theories which are supporting those component of incentive. We first draw a concept called Ultimatum game (Thaler, 1988) to support the first component of incentive, that is difference of incentive. The Ultimatum game is basic concept for business entities to determine the number of incentive in “reward both” program. The study done by Thaler (1988) has suggested that receivers are concern with the sense of “fairness” particularly in if the firms intend to give a magnitude in the incentive.

The previous research on “reward both” program was done by Ahrens et al., (2013) have suggested, when receivers are granted with the larger number of incentive, it will lead them to become new customer. Becoming a new customer through the engagement in incentivized WOM activity is the consequences from stimuli such as incentive. However the psychological conditions which affect their actual behaviour as explained by Ajzen (1991) remain unexplored. Thus, in our understanding, by adopting TPB, the psychological condition which is directly influenced by difference of incentive is attitude and it leads to the following hypothesis:

H1: Incentive differentiation provided for both sender and receiver will weaken receiver`s favorable attitude toward the M-coupon.

In “reward both” program, marketers have to consider the perspective of receiver and sender as well. When sender has to send M-coupon with different amount of incentive in it, sender will consider receiver from particular tie strength. As Ryu and Feick, (2007) also emphasized that incentive is particularly important in encouraging WOM to weak ties because in such relationship sender tend to maximize their own outcomes and minimize their costs without any feels of responsibility to receiver`s welfare. Meanwhile with strong tie receiver, sender tends to have general concern about receiver`s welfare. Nevertheless the receiver reaction when they receive incentivized WOM from particular tie strength is still unexplored, and to shed light on the possible attitude that receiver may perform, we postulate:

H2: The negative relationship between incentive differentiation and attitude is moderated by tie-strength - the negative relationship is stronger when the sender is from weak tie relationship.

The aim of promotional activities from a company is to get a response from all of target consumer. However, marketer could not expect the similar response across the target consumer because every consumer has different characteristics related to the promotional activity (d’Astous & Jacob, 2002; Montaner, Chernatony, & Buil, 2011). The characteristic related to promotional here is refer to deal proneness character. The result of previous research has shown that deal proneness has positive relationship with the favorable attitude on the promotional activity on particular product (Burton, Lichtenstein, Netemeyer, & Garretson, 1998). The favorable attitude will later on lead to the purchase behavior (Lichtenstein, Netemeyer, & Burton, 1990). Thus, on the basis of the above discussion, we offer the following prediction:

H3: Deal Proneness character has a positive relationship on receiver's attitude of M-coupon

As one of the important component of incentive, condition of incentive becomes common strategy for the firms. According to Libai et al., (2003) the methods such as “pay per lead” and “pay per performance” can be employ by the business entities to increase the number of new customer and also to reduce the free rider customer. From receiver perspective, the condition of incentive that being employed in the incentivized WOM, will not give any influence on their probability of obtaining incentive, whether it is pay per performance or pay per lead. However, receivers have to deal with some of psychologically conditions which can influence their behavioral intention to engage in incentivized WOM activity when the firms disclose the information of incentive. In the transparent situation, receivers are aware that their action will influence others' well- being.

As the foundation theory in current study for the receiver perspective on incentivized WOM, TPB by Ajzen (1991) suggested that person's action on particular activity is a function of person's behaviour intention and one of variable which influencing intention is consumer's perceived behavioral control. Perceived behavioral control as one of predictors to behavioral intention measures how well a person can perform the actions required to deal with specific situations (Ajzen, 1991). The situation which can influence perceived behavioral control was represented by the presence of factors that may facilitate or hinder the performance of particular action. Nonetheless the researches that have adopted PBC as one of predictor to influence behavioral intention are still on the assumption that PBC is derived only from person inner beliefs regarding their capabilities without considering other things (Kang, Hahn, Fortin, Hyun, & Eom, 2006;Becker, Clement, & Schaedel, 2010; Clement, Rangaswamy, & Vadali, 2012).

Research on receiver's PBC to engage in incentivized WOM which give consideration not solely on person's belief regarding their capabilities but also others well-being is still unexplored. To shed light on the possible behavioral intention that receiver may perform, we postulate:

H4: Incentive conditionality will intensify the negative effects on receiver's perceived behavioral control on redeeming M-coupon

H5: The negative effect of the incentive conditionality on perceived behavioral control is moderated by tie strength. The negative effect is stronger for Strong ties than for Weak tie relationship

As key actors on incentivized WOM activity, sender and receiver will have different roles on the activity, thus they will react differently on stimuli that they have received. From receiver perspective their action might be based on their previous experience with the sender or we can identify it as reciprocity circumstances. Whether the receiver has to return back some favors to sender by redeeming the M-coupon, or just simply expect the sender to thanks nicely if the receiver redeeming the M-coupon, those situations will influence the receiver's perceived behavioral control particularly from the external factors. Even though the receiver have all the resource needed to perform the action (internal factor), the external factor, for example reciprocity situation may possibly weaken receiver's perceived behavioral control, thus it leads to the following hypothesis:

H6: Reciprocity will intensify the negative effects on receiver's perceived behavioral control on redeeming M-coupon

Reciprocity is about equilibrium and fairness, in order to achieve equilibrium, people tend to do anything they have to do at all cost, and disregard other opinion whether or not it is

appropriate. Other opinion in some way becomes the social factor which can give pressure for a person to perform or not perform a particular behavior, in which Ajzen (1991) labeled it as subjective norm. The receiver intention to redeem the M-coupon could be based on reciprocation motives and without reciprocation motives. The receiver with reciprocation motive, at some points will ignore all the possible consequences by reciprocating sender previous action. However, they might still consider what other people may possibly think about the reciprocation action but the extent to which the receiver want to deal with others opinion maybe different between receiver with reciprocate motives and without reciprocate motives. Receiver with reciprocation motive tend to perceived other opinion as not important to them since they have a desire to achieve equilibrium and reduce stress that they have (Walster, Berscheid, & Walster, 1973). Thus to sum up the relation between reciprocity and subjective norm, the following hypothesis was developed:

H7: Reciprocity situation will have a positive influence on subjective norms in redeeming the M-coupon.

H8: The Positive relationship of reciprocity and subjective norm is moderated by tie strength. The positive relationship is stronger for weak ties than for strong tie relationship.

As suggested by Ajzen and Fishbein (1980) when a person determines their intention to perform a particular action, he or she will consider about cost and benefit on doing a certain action. In general, the cost and benefit consideration will lead to positive or negative attitude toward the object. Furthermore, a positive or negative attitude toward the object or activity will lead to positive and negative intention to engage to particular activity. Previous research have demonstrated the positive influence of attitude on behavioral intention (Becker et al., 2010; Clement et al., 2012). Thus, in this study we expected also that attitude will have a positive influence on receiver's behavioral intention to redeem the M-coupon and to support our assumption regarding the relationship, we hypothesizes as follow:

H9: Attitude toward M-coupon will have a positive influence on receiver's behavioral intention to redeem the M-coupon.

Besides attitude, person's behavior intention also depends on subjective norms. Subjective norms is defined by Ajzen and Fishbein (1980) as social factor or normative factor, which refers to the perceived social pressure to perform or not perform the particular behavior. In the context of receiver intention to redeem the M-coupon, Kang et al., (2006) stated that subjective norms about redeeming the M-coupon become more important when receiver is stated oriented which means that receiver has a low capacity to perform a particular behavior so that they rely on others opinion. In the incentivized WOM with component of incentive namely incentive differentiation and incentive conditionality in it, we expect that positive opinion from others will positively influence receiver's intention to engage in incentivized WOM activity by redeeming the M-coupon. Thus to support our statement, the following hypothesis was developed:

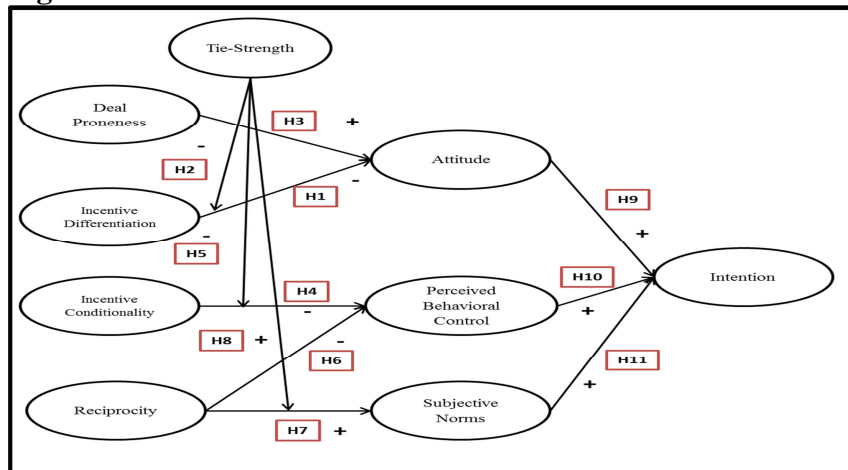
H10: Subjective norms will have a positive impact on receiver's behavioral intention to redeem the M-coupon.

As one of predictor factors of person behavioral intention, perceived behavioral control (PBC) represents as personal inner control over the behavior. According to Ajzen (1991) PBC measures how good a person could perform the certain action with a specific situation to deal with. Person might perceive a specific situation as an opportunity or an

impediment. The effect of perceived behavioral control on person behavioral intention has attracted the attention of many researchers from different field, for instance person's behavioral intention to spread negative WOM (Cheng, Lam, & Hsu, 2006); intention to use e-coupon (Kang et al., 2006); intention to engage in online game (Lee, 2009); Intention to download legal music (Clement et al., 2012). Therefore it is proven that Perceived behavioral control is a solid predictor which will influences person's intention to perform certain behaviour. Hence it leads us to the following hypothesis:

H11: Perceived behavioral control will have a positive impact of on receiver's behavioral intention to redeem the M-coupon.

Figure 1: Research Model



3. Method

Our experimental study aims at investigating hypothesis H1 – H11. This should provide the basis to understand the influence of receiver attitude, perceived behavioral control and subjective norms on behavioral intention to redeem the M-coupon. We conducted an experimental design with the intention to test the hypotheses.

We manipulated the variable incentive differentiation (different versus no different), incentive conditionality (conditionally versus unconditionally), tie strength (strong versus weak). Furthermore, we utilized two product categories (McDonald's versus Starbucks) as prototypical examples in our experiment study. As we are interested in generalized results, we do not differentiate results between those two product categories.

4. Procedures and Scenario

The survey consists out of consecutive sections. In the first section, we retrieve the names of weak and close partners of respondents using the “mentioning name” method. Based upon Granovetter (1973), participants are asked to mention two persons each for two questions about joint activities which are typically linked with strong ties (talk about personal matters, looking after apartment during leave, asking for money) and two questions which are typically linked with weak ties (casual conversation, job or school assignments). This leads to eight (8) names, which later on represent the simulated senders of M-coupons.

In the next section, each participant received four relevant M-coupon scenarios which systematically varied incentivized as independent variable: Incentives were either equally distributed between sender and receiver or split unevenly with sender receiving the larger share of incentive. A balanced incomplete block design varied the sequence of both product categories McDonald and Starbucks. This ensured that participants had a balanced perception without encountering fatigue effects due to several repetitions.

The scenarios were presented in a realistic visualization (Figure 1). The header informed the participants about the specific person who has sent the M-coupon. The names of P1 to P8 were automatically inserted and appeared in the questions. For each scenario, participants answered sixteen questions regarding their attitudes, their subjective norms, their reciprocity and their intention to redeem the M-coupon (see Table 1). The measurements of the dependent variables were based on established scales, and the constructs for manipulation checks were self-designed.

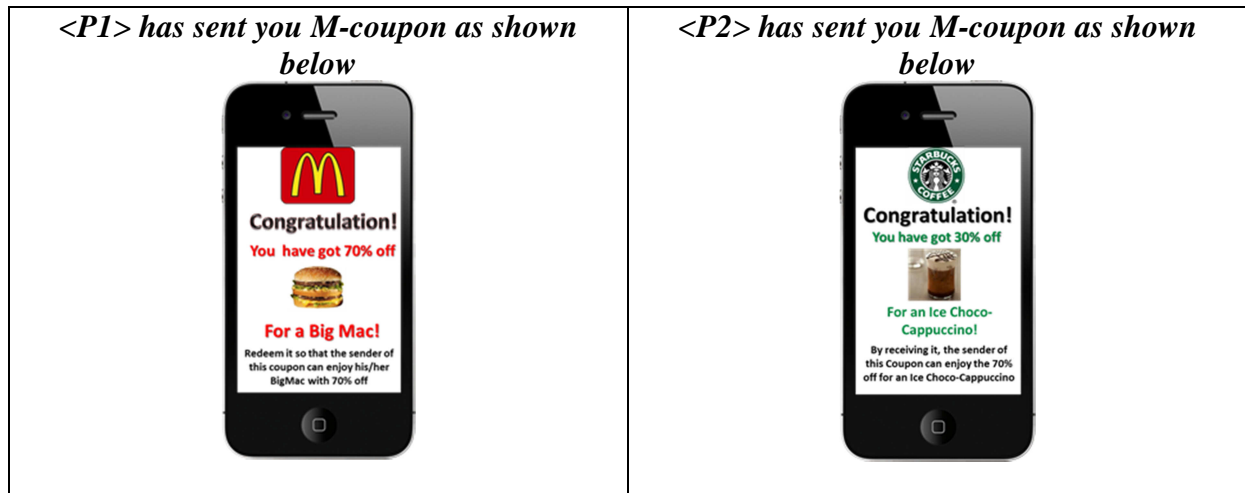


Figure 2: Example of Scenario in M-Coupon Format

Finally, receivers' attitude regarding the product (Starbucks and McDonalds) was measured by a single-item question. The persons' deal proneness character was measured using a 6-item scale adapted from Lichtenstein, Netemeyer and Burton (1990). All items were measured on five-point Likert scales. Demographic information of participants was gathered at the end of the questionnaire.

5. Data Collection and Measurement

The online survey resulted in a net response of 80 participants from the German sample and 80 participants from the Indonesian sample. Each respondent participated in four scenarios out of sixteen scenarios therefore after the manipulation check we obtained 252 responses from German group and 272 responses from Indonesian group

We tested the proposed hypotheses by employing PLS (SmartPLS 3.0, Ringle, Christian M., Wende, Sven, & Becker, Jan-Michael, 2014) to obtain parameter estimates for the measurement and structural model. In this study we have eliminated some of the indicators to increase the composite reliability as suggested by Henseler, Ringle, & Sinkovics (2009). Please refer to Table 1.

Table 1: Measurement Instrument

| Items | Standardize Loading | |
|--|---------------------|-----------|
| | German | Indonesia |
| Attitude | | |
| The M-coupon that I received from (the name of sender) is. | | |
| Useless - Useful | 0.89 | 0.81 |
| Unpleasant - Pleasant | 0.89 | 0.89 |
| Unfair - Fair | 0.76 | 0.77 |
| Perceived Behavioral Control (PBC) | | |
| I feel free to redeem the M-coupon, because it is my own decision | 0.86 | 0.84 |
| I am in control when I have to redeem the M-coupon because I only redeem it from a particular sender | Deleted | 0.53 |

| Items | Standardize Loading | |
|---|---------------------|----------------|
| | German | Indonesia |
| I am in control when I have to redeem the M-coupon because I only redeem the M-coupon if it is valuable for me. | 0.89 | 0.76 |
| Intention | | |
| I have strong possibility to redeem the M-coupon from(the name of sender) | 0.97 | 0.91 |
| I have high intention to redeem the M-coupon from(the name of sender) | 0.98 | 0.93 |
| I intend to redeem this kind of M-coupon in the near future | 0.97 | 0.89 |
| Subjective Norm | | |
| Most people who are important for me would think that it isto redeem this M-coupon: | | |
| Waste of time - Wise of time | 0.90 | 0.87 |
| Worthless - Worthy | 0.94 | 0.84 |
| Useless - Useful | 0.95 | 0.87 |
| Deal Proneness | | |
| I enjoy looking for rebate offers | 0.79 | 0.68 |
| Redeeming rebates makes me feel good | 0.86 | 0.77 |
| Rebates have caused me to buy products, even though I did not plan to buy it. | 0.68 | 0.76 |
| I enjoy using rebates, regardless of the amount I save by doing so. | Deleted | Deleted |
| When I use rebates, I feel that I am getting a good deal. | Deleted | Deleted |
| I have favorite brands but most of the time I buy the brand that offers a rebate. | 0.80 | 0.69 |
| Reciprocity | | |
| I expect that sender would do the same, if I redeem this M-coupon | 0.85 | 0.70 |
| I expect that the sender will thank me nicely, if I redeem this M-coupon | 0.83 | 0.76 |
| I redeem this M-coupon because I repay back the favour that sender has done to me | 0.86 | 0.83 |
| I redeem the M-coupon because the sender always treat me well | 0.87 | 0.83 |

Table 2: Composite Reliability and Average Variance Extracted

| | AVE | | CR | | R ² | |
|---|-------------|-------------|-------------|-------------|----------------|-----------|
| | German | Indonesia | German | Indonesia | German | Indonesia |
| Attitude | 0.72 | 0.68 | 0.88 | 0.86 | 0.10 | 0.09 |
| Perceived Behavioral Control (PBC) | 0.77 | 0.52 | 0.87 | 0.76 | 0.04 | 0.012 |
| Intention | 0.95 | 0.83 | 0.98 | 0.94 | 0.67 | 0.35 |
| Subjective Norms | 0.86 | 0.74 | 0.90 | 0.90 | 0.18 | 0.08 |
| Deal Proneness | 0.61 | 0.53 | 0.95 | 0.82 | | |
| Reciprocity | 0.72 | 0.62 | 0.91 | 0.86 | | |

6. Hypothesis Testing

With a coefficient of -0.15 , the path between *incentive differentiation* and *attitude* for German group is significant in $p < .01$. Nevertheless for Indonesian group we obtained an insignificant result $p > .1$ with $\beta = -0.04$, thus the result supported our hypothesis 1 but only in German. Receiver in German group will have unfavorable attitude when they have received M-coupon with scheme of incentive, receiver obtain incentive smaller than the incentive that has obtained by the sender. Meanwhile for the receiver in Indonesia group, magnitude of incentive will not necessarily lead to the unfavorable attitude.

However the assumed of interaction effect of *tie strength* and *incentive differentiation* on *attitude* is not significant both in German and Indonesian group. We found a positive but insignificant result both in German group ($\beta = .04, p > .1$) and Indonesian group ($\beta = .04, p > .1$), thus leading to dismissal of Hypothesis 2. The result indicates that independent of whether the

sender are from strong or weak tie, different amount of incentive will generate an unfavorable attitude on M-coupon for receiver in German group. For receivers in Indonesia group, regardless the tie strength of the sender, different amount of incentive will not influence their favorable attitude toward M-coupon.

The direct path between *deal proneness character* and *attitude* is significant both in German group ($\beta = .27, p < .01$) and Indonesian group ($\beta = .29, p < .01$), thus it support Hypothesis 3. The result indicates that receiver with deal proneness character will have positive attitude toward the M-coupon.

For Hypothesis 4, we found a negative significant relationship between *incentive conditionality* and *receiver's perceive behavioral control* in German group ($\beta = -.13, p < .05$) and in Indonesian group we acquired an insignificant result ($\beta = -.04, p > .1$), thus leading to dismissal Hypothesis 4 for Indonesian group and for German group the result is supporting Hypothesis 4. The result in German group denotes that conditionally of incentive in M-coupon will weaken receiver's perceived behavioral control. Meanwhile for receivers in Indonesian group, M-coupon with conditionally of incentive in it will not necessarily weaken their perceived behavioral control.

We proposed the moderating effect of *tie strength* and *incentive conditionality* on *perceived behavioral control* in hypothesis 5. We assumed that the conditionally of incentive will weaken receiver's perceived behavioral control only if the senders are from weak tie relationship. The result shows of non-significant moderating effect of tie strength on condition of incentive and perceived behavioral control both in German group ($\beta = -.01, p > .1$) and Indonesian group ($\beta = .06, p > .1$), thus, leads to dismissal Hypothesis 5. The result in German group indicates that no matter whether the sender are from strong tie or weak tie relationship, conditionally condition of incentive will weaken receiver's perceived behavioral control. Moreover, for receiver from Indonesia, whoever the sender, from strong tie or weak tie relationship will not weaken receiver's perceived behavioral control.

Hypothesis 6 predicts the negative relationship between *reciprocity* and *perceived behavioral control*. With a coefficient of $-.15 (p < .05)$, this hypothesis is supported in German group. In addition, for Indonesian group with a coefficient of $.20 (p < .01)$, the hypothesis was also supported but on the opposite direction with the assumed hypothesis. For the receiver in German group it is proven when there is a reciprocity situation (receiver expected something from the sender or receiver has to returning a favour to sender), receiver tend to have a lack of control to perform a particular behaviour (e.g. redeem the M-coupon). However in the Indonesian group we found a significant result that reciprocity situation will not weaken the receiver's control on their behaviour (to redeem the M-coupon).

Furthermore, Hypothesis 7 predicts a positive relationship between *reciprocity* and *subjective norm*, when deal with a reciprocity situation, receiver tends to rely on others opinion regarding the best action that receiver has to perform. The positive significant result in both of German ($\beta = .42, p < .01$) and Indonesian group ($\beta = .26, p < .01$) supported hypothesis 7. The result indicates that, both receiver in German and Indonesia group, when deal with reciprocity situation, they tends to rely on others opinion regarding the redeeming the M-coupon.

In hypothesis 8 we proposed a moderating effect of *tie strength* and *reciprocity* on *subjective norm*. We assumed that, receivers tend to rely on other opinion in reciprocity situation only if the senders of M-coupon are from weak tie relationship. For the receivers in German group, it is proven when receivers are deal with reciprocity situation the tendencies that they will rely on other opinion regarding redeeming M-coupon only is higher if the senders of M-coupon are from weak tie relationship ($\beta = -.06, p < .1$). Meanwhile for the receivers in Indonesia group, when they deal with reciprocity situation, the tendencies that they will rely on other opinion regarding the redeeming of M-coupon is higher when the senders of M-coupon are from strong tie relationship ($\beta = .10, p < .05$).

Hypothesis 9 is accepted in both German and Indonesian group. In hypothesis 9 we assumed that positive *attitude* will lead to a positive *intention* and we obtained a positive significant result both in German group ($\beta = .68, p < .01$) and Indonesian group ($\beta = .36, p < .01$). The result indicates, independent of whether the sender are from strong or weak tie relationship and regardless the component of incentive in M-coupon, when receiver has a positive attitude toward M-coupon, he/she will also has a positive intention to redeem the M-coupon.

Moreover, in hypothesis 10 we proposed a positive relationship between *subjective norms* and *intention* and the result from German and Indonesian group supported the proposed hypothesis. We obtained a positive significant result both in German ($\beta = .11, p < .05$) and Indonesian group ($\beta = .22, p < .1$). The result implies. When other people gave a positive suggestion regarding the acting of redeeming M-coupon, it will leads to the positive intention from receiver to redeem the M-coupon.

Finally, we proposed the positive relationship between perceived behavioral control and Intention. In support of Hypothesis 11, in Indonesian group, we obtained a positive significant result ($\beta = .29, p < .01$), in contrast, for German group, we obtained a negative significant result ($\beta = -.17, p < .01$). Therefore, in general, the result from Indonesian group indicates, when receivers have high perceived behavioral control, they also have high intention to redeem the M-coupon. On the other hand, receiver from German tends to have high intention to redeem the M-coupon when they lose their behavioral control regarding their capabilities to perform redeeming action. The comprehensive result of hypotheses testing can be found in Table 3.

Table 3: Results for Structural Model

| Hypothesis | Relationship | Estimates | | P-value | | Result | |
|------------|---|-----------|-----------|-------------|-------------|---------------------|---------------------|
| | | German | Indonesia | German | Indonesia | German | Indonesia |
| H1 | Incentive Differentiation → Attitude | -0.15 | -0.04 | 0.00 | 0.29 | Not Rejected | <i>Rejected</i> |
| H2 | Incentive Differentiation x Tie strength → Attitude | 0.04 | 0.04 | 0.51 | 0.29 | <i>Rejected</i> | <i>Rejected</i> |
| H3 | Deal Proneness → Attitude | 0.27 | 0.29 | 0.00 | 0.00 | Not Rejected | Not Rejected |
| H4 | Incentive Conditionality → PBControl | -0.13 | -0.04 | 0.02 | 0.34 | Not Rejected | <i>Rejected</i> |
| H5 | Incentive conditionality x Tie Strength → PBC | -0.01 | 0.06 | 0.78 | 0.19 | <i>Rejected</i> | <i>Rejected</i> |
| H6 | Reciprocity → PBControl | -0.15 | 0.20 | 0.02 | 0.00 | Not Rejected | Not Rejected |
| H7 | Reciprocity → SubjNorm | 0.42 | 0.26 | 0.00 | 0.00 | Not Rejected | Not Rejected |
| H8 | Reciprocity x tie strength → SubjNorm | -0.06 | 0.10 | 0.06 | 0.01 | Not Rejected | Not Rejected |
| H9 | Attitude → Intention | 0.68 | 0.36 | 0.00 | 0.00 | Not Rejected | Not Rejected |
| H10 | SubjNorm → Intention | 0.22 | 0.11 | 0.00 | 0.04 | Not Rejected | Not Rejected |
| H11 | PBControl → Intention | -0.17 | 0.29 | 0.00 | 0.00 | Not Rejected | Not Rejected |

7. Summary of the Main Findings

In current study we have proposed two components of incentive namely incentive differentiation and incentive conditionality. Previous academic research had examined partially those components of incentive. In this study we propose an integrated study which elaborate receiver perspective toward those components of incentive and utilize mobile-coupon as a novel tool of incentivized WOM.

To sheds light on the context incentivized WOM with magnitude of incentive, thus our study highlights receiver perception concerning the different amount of incentive provided for both sender and receiver by using theory planned behavior (Ajzen, 1991). We discovered that receivers will have unfavorable attitude toward different amount of incentive provided for both sender and receiver of incentivized WOM, no matter whether the senders who share it

are from strong tie or weak tie relationship. In addition, receivers who have deal proneness character will have favorable attitude on the M-coupon.

Furthermore, this paper also sheds light on the context of receiver's perspective on incentive conditionality. By connecting incentive conditionality with perceived behavioral control, we attempted to explore how conditionality (receivers have to redeem the M-coupon so that senders could get the incentive) and unconditionally (whether or not receivers redeem the M-coupon, senders will get their incentive as soon as they send it to receiver) will influences receivers' perceived behavioral control. The result shows, when incentive for sender depends solely on receivers' action to redeem M-coupon, no matter whether senders are from strong or weak ties, receivers tends to lose their control to redeem the M-coupon.

The nature of the sender-receiver relationship influences the perceptions of costs and benefits. According to Frenzen & Nakamoto (1993), with strong-ties, people tends to concern with other's welfare and respond to other's needs but do not expect anything in return. In addition, Ryu and Feick (2007) argued that with the weak-tie, reciprocity is important, people prefer a balance situation and if it is unbalanced they tends to adjust it. Reciprocity situation is an important factor particularly in the relationship between sender and receiver in incentivized WOM. Even though previous research have already explored the relationship of reciprocity and tie strength (Frenzen & Nakamoto, 1993; Ryu & Feick, 2007), in this study we attempted to add a new perspective regarding reciprocity in the context of incentivized WOM by connecting reciprocity with receiver's perceived behavioral control. It is proven that situation characterized by reciprocity influences receivers' perceived behavioral control. In German group, we discovered that reciprocity situation which experienced by receivers will weaken their perceived behavioral control to redeem the M-coupon. Nonetheless, for receivers from Indonesia, reciprocity situation will not weaken their perceived behavioral control to redeem the obtained M-coupon.

Furthermore, we have also uncovered a new insight concerning situation characterized by reciprocity. The result is different between German and Indonesia group. When Indonesian receivers deals with reciprocity situation, they tend to rely on other opinions concerning the action of redeeming M-coupon particularly when the senders are from strong tie relationship. It might be because the receivers from Indonesian do not want to make a mistaken decision which at the end will influences their relationship with the sender which they deemed as a close person. Meanwhile for German receivers, in reciprocity situation, they need other opinion particularly when the senders are from weak tie relationship. Receivers from German perceived to be easier to make decision when the senders are from strong tie, they surely will redeem the M-coupon with or without other suggestion. However other opinion is needed when senders are from weak tie relationship. These finding opens up a comprehensive insight regarding the impact of reciprocity on receiver's response on incentivized WOM.

In the theory planned behaviour (Ajzen, 1991), attitude, perceived behavioral control and subjective norms are altogether will influences receiver's intention to redeem M-coupon. In accordance with (Dickinger & Kleijnen, 2008), our result shows that receiver's positive attitude will lead to positive intention to redeem M-coupon. This result is consistent for both German and Indonesian group both.

Furthermore, our results illustrate that perceived behavioral control significantly affect receiver's intention to redeem M-coupon. However we discovered a different result in German and Indonesian group. In Indonesian group, we obtained a positive significant relationship of perceived behavioral control and intention. The result in Indonesian group is in accordance with previous research by Dickinger and Kleijnen (2008); Kang et al., (2006). Meanwhile, in German group, we discovered that perceived behavioral control has negative relationship with intention. The result from German provided us with a new insight on the possibility that, receiver who perceived their-self having high control to redeem M-coupon, tends to have low intention to redeem it.

Next, we obtained a positive significant relationship between subjective norms and intention to redeem M-coupon both in Indonesia and German group. This result is in accordance with the previous study by Ashworth, Darke and Schaller (2005) which stated that consumer are really concern of what other people have said regarding the using of coupon.

8. Implications

This paper contributes to the scientific literature in various ways. We add a new perspective of sender-receiver relationship on incentivized word-of-mouth by investigates attitudes and behaviour of receiver in incentivized WOM. A series of experiments were executed using mobile-coupon as a novel tool of WOM. We also have elaborated the component of incentive that can be used by the firm to manage the distribution of incentive amongst all the participants of WOM activity.

Previous research from (Verlegh, Ryu, Tuk, & Feick, 2013) have suggested that incentivized WOM will lead to unfavorable attitude particularly when the senders are from weak tie. By giving magnitude in the incentivized WOM, we obtained a result which was in accordance with and complemented the previous research. Our result shows that receiver will have unfavorable attitude toward M-coupon if they obtain smaller incentive than sender, no matter whether the sender of M-coupon are from strong tie or weak tie. Thus, by giving magnitude on the “reward both” strategy, tie strength does not matter anymore.

Furthermore we also elaborated more on Theory Planned Behavior by providing more in-depth insight on how condition of incentive will facilitate or impede the ability of receiver to engage in incentivized WOM activity by redeeming M-coupon. (Dickinger & Kleijnen, 2008) stated that when person has a positive perceived behavioral control regarding his/her ability and resources to redeem M-coupon, he/she will have a positive intention to redeem it. Thus, our study contributed in the way of perceived behavioral control is not influenced only by the internal consideration but also the external consideration.

This paper contributes also to the normative component in the Theory Planned Behavior by linking the reciprocity with subjective norm and tie strength as moderator. As (Ajzen, 1991) stated that subjective norm relates to perception of social pressure which will motivate person to approve or disapprove a particular behavior. Our study shows that reciprocity has a positive relationship with subjective norm. When receiver deals with reciprocity situation, she/he will rely on other opinion regarding the best decision to or not to participate in the incentivized WOM. However receiver`s consideration to rely on other opinion was influenced by the tie strength of the sender. The receivers in German groups will rely on other opinion if the senders are from weak tie relationship. Meanwhile for receivers in Indonesia group, they tend to rely on other opinion regarding the redeeming activity particularly if the senders are from strong tie relationship.

Our study has several limitations that suggest some potential opportunities for further research. The first limitation of the current study is related with the sample of this study. A convenience sample of university students was employed in pilot test and also in main study, both in German and Indonesian group. Therefore, the generalizability of the findings to all consumer in German and Indonesia is still limited. Therefore, adding heterogeneity in the sample is our suggestion for the future research.

The second limitation is the role of cultural differences should be considered. Even though most of the results in German and Indonesian group have shown a consistency throughout the study, we still cannot rule out the possibility that cultural might have affected our results. To understand more regarding the role of cultural in consumer`s response regarding incentivized WOM could be the direction for the future research.

Besides contributing to the scientific knowledge, this dissertation has several practical implications. Our results suggest that firms need to carefully establish “reward both” strategy. Previous research by (Frenzen & Nakamoto, 1993; Ryu & Feick, 2007) found that incentivized WOM will lead sender to share it with the weak tie receiver, in addition our

study have discovered that the magnitude of incentive or else sender obtain incentive more than receiver will lead to unfavorable attitude for receiver, albeit the strong or weak relationship. A solution may be undertaken by implementing a non-transparent strategy. When receivers do not have any information regarding the incentive that the sender will or already received, marketers can expect that, receiver's favorable and unfavorable attitude toward M-coupon is determined by their deal proneness character and not determined by the component of incentive. Thus, firms can also expect the optimal result by applying non-transparent situation as one of the strategy, because sender will choose weak tie receiver and receiver will have high probability to redeem M-coupon if they have deal proneness character.

Our findings have further implications for the development of component of incentive in incentivized WOM. Giving conditionality on the incentivized WOM, indeed is proven as the best strategy for the firms to reduce the "free riding" problem (Biyalogorsky, Gerstner, & Libai, 2001). Nonetheless firms should understand the receiver's response on the conditionality and non-conditionality in incentive. As we have discussed above, when there is conditionality in incentive (receivers have to redeem the M-coupon so that sender could obtain the incentive), receiver's tends to lose their control on whether or not they will redeem the M-coupon. However in German group, the weaken PBC will lead them to have a positive intention to redeem the M-coupon. Thus firms can have a benefit by giving a condition on incentivized WOM. Nonetheless for the receiver in Indonesia group when they have weak perceived behavioral control, they also will have a negative intention to redeem the M-coupon. Thus, for the firms in Indonesia, it is better to employ non-conditionality strategy in incentivized WOM because the combination of strong perceived behavioral control and receiver's deal proneness character will propel to the positive intention to redeem the M-coupon.

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