BACKGROUND READING for HOMEWORK ASSIGNMENT#1

The importance of online consumer reviews in influencing the buying decisions of consumers has been well established in both the marketing and information systems literature. Peer reviews have been found to significantly influence brand evaluations and product sales. According to recent surveys, somewhere between 80-90 percent of American consumers have used online reviews to evaluate product and services prior to making a purchase.

The quality of a review is often assessed by its numerical “star rating” or the number of "helpfulness votes" it receives from other consumers. When evaluating online product reviews, potential buyers have to evaluate both the credibility of the review and the expertise of the reviewer. Hence, consumers rely heavily on the star ratings and helpfulness votes that accompany the verbatim text of a review. But how valid are these summary statistics in capturing review content and quality? Yet, managers have questioned the predictive or diagnostic value of these summary judgments.

The verbatim review text that accompanies the summary ratings is rarely examined by managers despite strong evidence that consumers rely on this rich information while making evaluative judgments. The sheer volume and lack of structure in these qualitative assessments has often been a technical challenge for managers.

Overall the purpose of the homework assignment(s) is to analyze the semantic content and linguistic style of open-ended consumer verbatims that accompany the numerical star ratings and helpfulness votes provided by consumers. The specific task is to develop a predictive model that can be used to predict the star ratings of reviews based on semantic content and linguistic style of open-ended consumer verbatims that extends beyond merely calculating the frequency and valence of common word-adjective or word-verb combinations. The objective is to create lexicons from the unstructured verbatim responses that be used to better understand the summary judgments.

The task is important because firms need to better understand how star ratings and helpfulness votes are related to underlying verbatim review content. Such information is essential to designing social media campaigns and online advertising that proactively seek to leverage favorable consumer reviews as part of a digital marketing strategy. Managers have observed that star ratings are often misaligned from underlying review text. Hence, their direct use in an online advertising campaign is likely to be less effective than an effort which incorporates the semantic properties of review content in addition to summary ratings. Companies typically do not speak to prospective customers in the same language that consumers use to communicate among themselves in online review forums. By using the same lexicon as consumers do, firms should be able to enhance the credibility of their online advertising and social media communications. In so doing companies can seek to proactively manage positive online word-of-mouth rather than reactively responding to negative reviews.