

The Role of Metaperception on the Effectiveness of Referral Reward Programs

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Abstract

It is generally believed that referral reward programs (RRPs) work because recommendations from friends or relatives are perceived as impartial and trustworthy in analogy to what happens with word-of-mouth recommendations. To understand how an incentivized recommendation affects recommendation behavior, we conducted qualitative interviews and two experiments. We show that recommendation behavior is driven by the givers perception (i.e., their metaperception) of how they will be viewed by the receivers. Metaperception, in turn, is affected negatively by the presence of an incentive, and positively affected by the tie strength between the giver and the receiver. Our findings show that RRP can have a positive, neutral, and negative effect on recommendation behavior depending on the relative strengths of the negative indirect effect of incentive on recommendation behavior via metaperception, and the positive effect of the perceived attractiveness of the incentive on recommendation behavior.

Keywords

referral reward program, incentivized recommendation, word of mouth, tie strength, metaperception

Introduction

Referral reward programs (RRPs) have become ubiquitous in many service industries as firms try to stimulate word-of-mouth (WOM) and customer referrals (Kornish and Li 2010; Schmitt, Skiera, and Van den Bulte 2011; Xiao, Tang, and Wirtz 2011). An RRP is a customer acquisition tool through which current customers are rewarded for recommending a product to people they know. Although RRP have been used to sell newspaper and magazine subscriptions for decades, the Internet has accelerated their diffusion. A recent Google search on “recommend a friend” programs resulted in some 198 million hits. Top hits included 24 Hour Fitness, a popular fitness center in the United States that gave customers a \$20 coupon for every referral that resulted in a new member for the fitness center; PADI, the U.S.-based scuba diving training organization that offered their current customers \$50 in cash for every three referred people who completed the Open Water Diver course in a PADI Dive Center; and Direct Line, a U.K. online insurance company that offered its customers a choice of 26 free products for every referral that led to a new customer relationship.

The fact that many service firms operate RRP suggests that these firms assume such programs will attract new customers. This assumption is based on findings in the WOM literature which has shown that information exchanges and recommendations that occur between personal sources have a strong impact on consumer preferences and purchasing behavior (e.g.,

Murray 1991). Consumers generally trust WOM more than advertising because of the former’s perceived objectivity (Price and Feick 1984; Thorelli 1971). As WOM givers are assumed to have little to gain from the WOM recipient’s subsequent actions, their recommendations are generally seen as credible and trustworthy (Arndt 1967; Day 1971). As a result, WOM is widely viewed as a powerful tool for customer acquisition (Godes and Mayzlin 2004).

At first glance, incentives seem to be an effective way to encourage WOM and referrals. However, they may be in conflict with the perceived objectivity and independence of WOM; incentives provide the referral giver with a stake in the receiver’s potential purchase decision and may therefore make the recommendation seem less impartial. Furthermore, recommendation givers who place importance on what recipients think about them and their recommendations are likely to become more careful if they believe that their motives for making an incentivized recommendation may be questioned. In short, they may be wary about the impression they create on the receiver.

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We suggest that when recommendation givers are offered the opportunity of receiving an incentive for a referral, they are likely to engage in a process of metaperception, typically defined in social psychology as the process by which people judge what others may think of them or their behaviors (Laing, Phillipson, and Lee 1966). In this case, recommendation givers are likely to consider how their incentivized recommendation behavior will be viewed and judged by the receiver. The likelihood of making an incentivized recommendation is then influenced by the outcome of that metaperception process. If the recommendation giver believes that the potential receiver views the incentivized recommendation favorably, she will be more likely to make that recommendation. If not, recommendation behavior is less likely. It is possible that metaperception and the related impression management concerns of the recommendation giver are reduced when a recommendation is made to a strong, rather than weak tie relation, as relationship closeness and trust may negate the concern of conveying an unfavorable impression.

Our study explores (1) whether incentives cause recommendation givers to develop metaperception concerns regarding how an incentive may affect the perceptions of recommendation recipients, and whether these concerns have an impact on recommendation behavior; and (2) whether tie strength between the recommendation giver and the receiver affects the giver's metaperception and impression management concerns.

The remainder of this article is structured as follows. We first review the literature and develop our research hypotheses. The following three sections describe our three studies. Study 1 used qualitative interviews to explore the effects that incentives have on recommendation behavior, the metaperception associated with incentivized recommendations, and whether recommendation givers are concerned with the impression their incentivized recommendations may have on others. Studies 2 and 3 used experiments to test our research hypotheses using two different settings and samples.

Conceptual Framework and Hypotheses

Arndt (1967) defined WOM as an “oral, person-to-person communication between a perceived non-commercial communicator and a receiver concerning a brand, a product or a service offered for sale.” Over the years, researchers have recognized that WOM communication may take different forms, including talking (e.g., Bone 1992; Herr, Kardes, and Kim 1991), telling (e.g., Bowman and Narayandas 2001; Harrison-Walker 2001), mentioning (e.g., Sundaram and Webster 1999; Swanson and Kelley 2001), referring (e.g., Money 2000), and making recommendations (Smoldt 1998; Weenig and Midden 1991).

WOM communication has gained increasing attention from marketing scholars by virtue of its persuasive effect on consumer decision making and behaviors (Chevalier and Mayzlin 2006; Herr, Kardes, and Kim 1991). In the services domain, WOM communication is particularly important as a tool for attracting new customers, because the high proportion of experience and credence properties of services increase customer

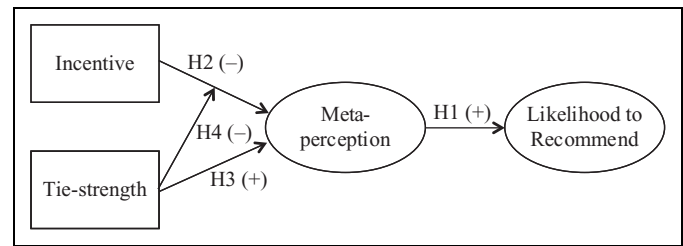


Figure 1. Research framework.

risk perceptions prior to purchase (Lovelock and Wirtz 2011, pp. 184-186). To reduce perceived risk, customers tend to consult others when forming their decision strategies and expectations about a particular service.

Most studies have concentrated on WOM activity as a behavioral consequence of customer satisfaction, quality, perceived value, commitment, trust, and loyalty (see the meta-analysis conducted by de Matos and Vargas Rossi 2008). Only a handful of studies have focused specifically on the motivators of recommendation behavior (e.g., Sundaram, Mitra, and Webster 1998), and even fewer have examined how WOM givers react when incentives are provided as a motivator for recommendation behavior (for notable exceptions, see Kornish and Li 2010; Xiao, Tang, and Wirtz 2011).

Introducing referral rewards changes the nature of the interpersonal communication for both the recommendation giver and recipient. If the incentive is visible or becomes apparent to the recommendation receiver, then the giver may no longer be perceived as a pure “noncommercial communicator” (Xiao, Tang, and Wirtz 2011). From the perspective of the recommendation giver, an economic reward for making a recommendation might result in a trade-off between conflicting motives of self-interest and protection of a relationship (Kornish and Li 2010). Thus, an incentivized referral is neither completely impartial advice nor a purely commercial communication, as the recommendation receiver has a personal relationship with the recommendation giver and a higher level of trust.

In this study, we focus on how incentives provided by firms using an RRP affect the recommendation giver. Figure 1 shows the theoretical framework guiding our study, and we discuss the key variables and their hypothesized relationships next. We consider the extent to which the likelihood of a recommendation is affected by how the recommendation giver thinks her recommendation is perceived by the receiver. In other words, before recommending a service, the incentivized recommendation giver will try to predict what the receiver may think of her recommendation. This thought process is called metaperception in social psychology and in our context refers to viewing one's behavior from the perspective of the recommendation receiver. We propose that metaperception is affected by the presence of an incentive and by the tie strength between the recommendation giver and the receiver. Thus, unlike the modeling studies of Kornish and Li (2010) and Xiao, Tang, and Wirtz (2011), our empirical studies take a theory testing approach with a strong focus on metaperception as a key mediating variable that allows us to better understand why

recommendation givers will respond negatively to RRP in certain situations. A review of the literature supporting the relationships posited in Figure 1 is presented in the following sections.

Metaperception and Recommendation Behavior

WOM communication arises from and is constrained by consumers' social relations with other people (Brown and Reingen 1987). Thus, WOM is a social phenomenon in which the properties of social relations are likely to play an important role. For a long time, social psychology has recognized that people form impressions of other people and are concerned with how they are viewed by others (Leary and Kowalski 1990). In general, people want to present themselves in a socially desirable way, such as appearing competent, attractive, and honest (Schlenker and Leary 1982). All social interactions carry with them these notions of self-presentation and perception of others.

In self-presentation, people try to convey particular impressions of themselves to others (Goffman 1959). They tend to manage others' impression of themselves by taking on the role of others, anticipating likely reactions to their own possible conduct and adjusting their behavior accordingly (Schlenker and Pontari 2000). Central to this process of self-presentation and perception of others is the concept of metaperception (Schlenker 1980). Metaperception refers to the process by which people judge what others may think of them or their behaviors (Laing, Phillipson, and Lee 1966). In this process, people tend to use their own views of reality to assess how other people judge them (Kenny and DePaulo 1993). Research suggests that this process begins with the observation of one's own behavior (e.g., Mary observes herself recycling paper), which leads to a self-perception (judges herself to be an environmentally friendly person), which then leads to a metaperception (Mary assumes that John will think so too). In other words, metaperception is an individual's perception of how she is viewed by others (Levesque 1997).

Much of the research on metaperception has focused on its accuracy, or the extent to which an individual's metaperception corresponds to others' judgments (e.g., Albright and Malloy 1999; Kenny 1994; Levesque 1997). It has been found that metaperceptions of how people think others feel about them are generally quite accurate (Kenny and DePaulo 1993; Levesque 1997).

We propose that metaperception also plays an important role in recommendation behavior. When a recommendation is made, it usually takes place in a social setting, be it a dyadic or group situation. Consequently, recommendation givers are likely to consider how they and their recommendations are viewed by others, and they are more likely to make recommendations in ways that will create a positive impression. Thus, before making a purchase recommendation, a recommendation giver is likely to engage in a metaperception process. If a recommendation giver thinks that the receiver will perceive her recommendation favorably, she is likely to make the recommendation. If the recommendation giver thinks that the receiver will perceive the recommendation unfavorably, she will

be less likely to make that recommendation. The crucial role of the favorability of metaperception for the recommendation giver is formalized in the following hypothesis:

Hypothesis 1: The more positive the metaperception of a purchase recommendation, the higher is the likelihood of making that recommendation.

Incentives and Metaperception

People engage in non-incentivized WOM for a range of motives, including altruism, product involvement, and self-enhancement (Sundaram, Mitra, and Webster 1998). According to metaperception theory, non-incentivized WOM givers are likely to perceive themselves as doing good and believe that others judge them the way they perceive themselves; they thus formulate a positive metaperception of their behavior.

Incentives, however, change the nature of the recommendation and the outcome of the metaperception process. In an incentivized referral situation, a recommendation giver might think that when an incentive is present, the receiver will have doubts about the motives that drive her behavior. Thus, the giver will be likely to formulate a less positive metaperception compared to an unincentivized recommendation. Think of a scenario in which a finance professor recommends an online broker to a colleague because she thinks it is truly the best broker for someone who wants to become familiarized with trading in financial markets. This professor observes herself making an unincentivized recommendation, judges herself to be an altruistic and intelligent person, and assumes that her colleague will think so too. However, if the professor was to receive a significant referral reward from the broker, she might be worried about how her behavior would be perceived by her colleague. The finance professor might think that there is a risk of others perceiving that she has an ulterior motive, evaluating her recommendation behavior as self-interested and assuming that her colleague will think the same.

We believe that metaperception processing in an RRP context in which a recommendation giver wants to make a good impression will lead to an avoidance of incentives. Thus, while an incentive can have a positive impact on the likelihood to recommend the service, it can also have a negative impact when the recommendation giver is concerned that the recipient may view the incentivized recommendation in a negative light. In other words, the presence of an incentive might reduce the favorability of the metaperception of a recommendation. Thus, we propose:

Hypothesis 2: An incentivized recommendation will have a less positive metaperception than an unincentivized recommendation.

Tie Strength and Metaperception

As all recommendations occur within some social structure, tie strength is integral to the examination of the phenomenon

(Bansal and Voyer 2000). People interact with others through a spectrum of degrees of tie strength, ranging from strong tie relations (e.g., a close friend) to weak tie relations (e.g., a seldom-contacted acquaintance or colleague at work; Brown and Reingen 1987).

In social exchange theory, interactions between strong ties are described as altruistic and compassionate forms of exchange, where the maintenance of the relationship is more important than the material content of the exchange (Sahlins 1972). Resources exchanged need not be equivalent and can be sequentially, rather than simultaneously delivered (Frenzen and Nakamoto 1993). Friendship is an example of a strong tie relationship. Friends are said to be engaged in communal relationships in that receiving a favor from a friend does not create an obligation to reciprocate because friends do favors for one another as a result of a general concern for each other's needs and welfare (Clark 1981; Clark and Mills 1979).

The relationship between weak ties is characterized by a balanced exchange (Clark and Mills 1979). For balanced exchanges to take place, resources should be economically or symbolically equivalent, and the exchange must be conducted with little delay between the time an individual gives a resource and reciprocally receives one in return (Sahlins 1972). If these conditions are not met, exchange is unlikely to occur (Frenzen and Nakamoto 1993). Balanced exchange is more economic in nature, and the material side of it is as important as the social side (Frenzen and Nakamoto 1993). Previous research has already established a relationship between tie strength and recommendations. Specifically, people are more likely to make recommendations to strong, rather than weak, tie relations (Wirtz and Chew 2002). In addition, strong ties are more likely to be sought for recommendations (Bansal and Voyer 2000; Bristol 1990; Brown and Reingen 1987), and recommendations by strong ties have a stronger influence on the recipient's subsequent behavior than those from weak ties (Bansal and Voyer 2000; Frenzen and Nakamoto 1993).

The impact of tie strength on metaperception favorability has not yet been explicitly studied. However, research on metaperception accuracy has found that high levels of accuracy are prevalent for close ties such as family, friends, coworkers (Malloy et al. 1997), roommates (Levesque 1997), and adult offspring (Cook and Douglas 1998). In contrast, the levels of accuracy in metaperception among people who are only superficially acquainted are lower (Albright and Malloy 1999). Hence, the accuracy of metaperception is likely to be higher in strong, rather than weak, tie relations.

Whether people think that others will perceive them in a positive or negative light depends on their audience. Based on the relationship norms, the nature of strong tie relationships is such that there is closeness, cooperation, and altruism. Strong tie relations trust each other, and recipients believe that any help given to them is genuinely other-oriented (Barnett et al. 2000). It thus seems reasonable to assume that in strong tie relationships, the giver's concern about being negatively perceived by the receiver because of a reward is low, as interpersonal evaluations are quite stable over time (Kenny and

West 2008). For example, a strong tie, such as a close friend, is likely to trust that the recommendation giver has his best interest at heart, and his evaluation of the recommendation giver would not be negatively affected by a relatively minor act such as an incentivized referral.

The giver's concerns about the impression she makes on others might be most important in weak tie relationships, such as acquaintances and work colleagues, where a relatively minor single action like a referral can shape evaluations more strongly (Ryu and Feick 2007; Tuk et al. 2009). In this context, givers might fear that an incentivized recommendation may be ill-perceived by the receiver, and givers are thus likely to develop a less positive metaperception of their behavior. The following hypotheses are thus advanced:

Hypothesis 3: The metaperception of a recommendation will be more positive for strong ties than for weak ties.

Hypothesis 4: The effect of an incentive on metaperception will be less negative for strong ties than for weak ties.

Mediation Effects

Figure 1 depicts the chain of relations among the variables involved in the model. The effects of incentive and tie strength on the likelihood to recommend are hypothesized to operate indirectly via metaperception. This implies that before expressing their intention to recommend, individuals engage in a cognitive assessment of how others may view their recommendation. In other words, we suggest that individuals will consider how an incentive attached to a recommendation might influence the perceptions of the recommendation recipient. Hypothesizing a mediational role of metaperception favorability in the context of an RRP means that extrinsic motives (i.e., incentives) and intrinsic motives (i.e., helping a strong tie) are internally processed by the recommendation giver to anticipate the degree of favorability with which the recipient is likely to perceive the giver's recommendation behavior. Metaperception research suggests that individuals alter their behavior based on the subjective perceptions they hold about the perceptions held by their interaction partners (DePaulo et al. 1987). Thus, we expect metaperception to be a key intervening variable in the relationship between incentive, tie strength, and likelihood to recommend. Formally, we advance:

Hypothesis 5: Metaperception mediates the effects of incentive and tie strength on likelihood to recommend.

Study I: In-Depth Interviews

Table 1 provides an overview of the three studies we conducted as part of this research. Our first study used in-depth customer interviews to explore how respondents thought their incentivized recommendations would be perceived by others, and whether such perceptions would influence their recommendation behavior. This qualitative study offered the opportunity

Table 1. Research Program Overview and Summary Findings.

	Study 1	Study 2	Study 3
Method	In-depth interviews	Experiment	Experiment
Data and context	Wide range of contexts	Scenario set in a restaurant context	Scenario set in a mobile data service context
Sample size (N)	26 working adults	343 working adults	211 MBA students
Hypothesized relationships		Findings	
Hypothesis 1: Metaperception on recommend	√ (+)	√ (+)	√ (+)
Hypothesis 2: Incentive on metaperception	√ (-)	√ (-)	√ (-)
Hypothesis 3: Tie strength on metaperception	√ (+)	√ (+)	√ (+)
Hypothesis 4: Incentive × Tie Strength on metaperception (negative effects of incentives are weaker for strong ties)	√	n.s.	√
Hypothesis 5: Mediation of metaperception on recommend	—	√ (full mediation)	√ (partial mediation)
Control variable: Satisfaction with RRP on recommend	√ (+)	—	√ (+)

Note. '√' – hypothesis was supported; the signs in parentheses show the hypothesized relationships; "—" – relationship was not tested in that study; n.s. = not significant.

to explore whether our hypotheses were consistent with unprompted consumer thought processes and considerations.

An interview guide was designed to explore the views and opinions of the respondents and to prevent the possible omission of any important information (Patton 1990). It also ensured that all the topics were covered in the same order for each respondent and that prompts were carefully scheduled after unprompted responses were captured (McCracken 1988). Pretests were carried out with two respondents using the think aloud protocol method to ensure that the questions were clearly understood. During the course of the interviews, additional insights gained were incorporated into the interview guide for subsequent interviews to add further richness to the understanding of the topics.

In total, 26 respondents varying in gender, age, occupation, and educational level were interviewed. There were 12 female and 14 male interviewees. Their ages ranged from 16 to 64 years; 21 of them were working adults and 5 were students. The working adults came from various economic sectors and held different positions in society (e.g., software designer, sales director, trainer, restaurant owner, and seminar promoter). About half of the respondents were college educated. Face-to-face in-depth interviews were conducted in the respondents' homes, places of work, or restaurants.

Each interview lasting between 30 and 60 minutes was recorded and subsequently transcribed verbatim. The transcripts were then given to the respondents to verify their accuracy before being used for analysis. In addition, field notes were made, especially when respondents had other comments to make about the topic after the end of the interview but did not want them to be recorded.

Data Analysis

Two hundred and eighty pages of verbatim transcripts formed the basis for analysis and interpretation. Transcripts were first analyzed and coded individually. Following the method recommended by McCracken (1988), each utterance was first considered on its own terms. Next, the utterances on the same topic

within the transcript were analyzed together to interpret the meanings that the respondent was attempting to convey. Quotes that captured ideas central to the topics being investigated were also highlighted. After this, the comments that belonged to each topic were analyzed and cross-referenced with the literature to see whether the findings converged or deviated from extant research. After each individual transcript had been coded, the entire set of transcripts was reread and compared to look for general themes implicit in the transcripts. Analysis across transcripts was also performed to ascertain whether respondents could be grouped into categories based on their response to a particular topic.

Findings

Prerequisites for recommending. In previous studies, customer satisfaction has been repeatedly associated with positive WOM (e.g., Naylor and Keiser 2000; Wirtz and Chew 2002). The findings from our interviews extend this understanding by showing that satisfaction is a prerequisite for making recommendations. If a person's experience had not been positive, recommendations were unlikely to be made:

Recommendations would only take place if it was a good experience in the first place. (Software designer, male, 31)

I think it [making a recommendation] depends on whether I myself feel that I've benefitted from that service. (Associate researcher, male, 32)

Views about RRP and incentives. Responses to RRP were varied. A few respondents were positive about RRP, as shown in the following quotes:

If the incentive is very good, I'll definitely try my best to attract as many customers as I can. (Student, female, 16)

Incentives do count. I mean, it of course makes everything a lot more attractive. Why not? (Seminar manager, female, 35)

Yes, if there's [an] incentive, I'll make a bit of time. (Restaurant owner, female, 42)

Others would respond positively to incentives only under certain conditions (e.g., if the effort needed was minimal and if they knew someone who was in the market to buy a particular service), as shown in the following quote:

I would usually do it if it was convenient for me to bring it up to somebody . . . I don't need to save twenty dollars, but if I can save twenty dollars, I would . . . if I knew somebody who was looking for one . . . I certainly would. (Sales director, male, 39)

RRPs were not always perceived in a positive light. In fact, more than half of the respondents had a negative view of them. The reasons for their skepticism fall into two categories that were often mentioned in combination. These were (1) perceptions of what motivated the introduction of the program (see the first two quotes below) and (2) poor program characteristics such as unattractive incentives (see the third quote below).

I think of it as another sales ploy. Okay, definitely they want business. Therefore, maybe the best way is to get it from the existing members, to get referrals. (Accounts executive, female, 25)

They wouldn't have to put an incentive program in place if they were good. . . because if they want to do an incentive program, it obviously means that they need business. (Software Designer, male, 31)

They say when you introduce a friend, you will be getting so many points that will offset the bill. [It] is very little. Not really a great incentive. (Business development manager, male, 39)

How givers felt their recommendations would be perceived. We explored how the givers of incentivized recommendations felt their recommendations would be perceived by the recipients (i.e., metaperception), and how these perceptions affected their recommendation behavior. The respondents' views can be classified into two categories. In the first category, about one third of respondents, felt that their recommendation recipients would be fine with the recommendation giver getting an incentive as the recommendation is given with good intentions and the recipients has a choice on whether to act on the recommendation. This attitude is illustrated by the following quote:

I won't push that person to do it because of my benefit, so I will say, "Hey, I think this is good for you. And by the way, I also get an incentive." If I don't think it's good for the other person, I would never recommend it, even if I get an incentive. So, I think the other person would say, "Hey, thanks for the tip." (Therapist, female, 35)

In the second category, which included about two thirds of the respondents, the focus was clearly on tie strength. They felt that strong tie relations would not think negatively about the recommendation because they trust that the giver had good intentions

and their best interest at heart. In contrast, weak tie relations were seen as more likely to attribute the giver's recommendation to the incentive and form a less positive metaperception of the recommendation. In addition, any negative reaction was seen to be more adverse from weak than from strong tie relations.

When the person [is] close to me, I think he will see that I want to try to help him. For those who are not close to me, I will think that they most probably will feel that they have been made use of. (Trainer, male, 45)

[If it's family] the trust is there, so they will not doubt you, even if they know that you have an incentive. But for someone who is not close, they will probably think that I'm making use of them in order to get the incentive. (Administration manager, male, 35)

They [recommendation recipients in general] will probably doubt my authenticity or my sincerity in this. If it's someone close to me, it's not such a big problem. For someone not close to me, they will view my recommendation with great doubt. It'll be like multi-level marketing. (Research analyst, male, 31)

Summary of Study 1

The qualitative study offered a broad picture of how incentivized RRP and recommendations are perceived by customers and corroborated most of our conceptual hypotheses. The importance of metaperception was clearly shown in this study. Specifically, the findings suggested that respondents were indeed concerned about how recommendation receivers would perceive them personally if referral rewards are involved. Furthermore, respondents had mixed views about how they thought recipients would perceive their incentivized recommendations. About one third of the respondents felt that as they had good intentions, their recommendations were unlikely to be perceived negatively. However, the majority of respondents (about two third) felt that incentives may make them look as if they were motivated by the reward, but that this was less likely to occur with strong tie relations. In the event that metaperception was negative, respondents felt that it would be worse with weak than with strong tie relations because of the lower trust that exists in weak tie relations.

Study 2: Experiment in a Restaurant Context

The qualitative study provided rich insights into most of our conceptual hypotheses, which were then formally tested in the two empirical Studies.

Method

Study 2 used a 3 × 2 between-subject factorial design, with Size of Incentives (0%, 25%, and 75% discount at the next visit) and Tie Strength (weak and strong) as the experimental conditions. An experimental scenario approach was considered appropriate for this context for several reasons. First, scenarios minimize memory bias, which is common in self-reports in

surveys. Second, scenarios reduce problems involving the effect of personal circumstances with regard to the research context. Third, this method enhances internal validity by controlling extraneous and manipulated variables and reducing random noise in the experiment by providing a standardized setting for all respondents (Churchill 1995; Cook and Campbell 1979; Wirtz and Bateson 1999).

Respondents. A total of 480 questionnaires were distributed to a convenience sample of customers in people's homes and offices in Singapore. Of these, 370 questionnaires were returned, representing a response rate of 77%. Twenty-seven questionnaires were discarded due to incomplete responses, leaving 343 for the analysis. The sample consisted of 62% females, and 61% were between 21 and 35 years. Forty-nine percent of the sample had completed a college or a postgraduate degree.

Manipulations. A restaurant was selected as the research context as conversations and recommendations about restaurants occur frequently. In addition, many restaurants offer discounts to attract customers, and this allowed for a realistic manipulation of the incentive levels. Previous studies and the findings from our qualitative study suggested that satisfaction is a prerequisite for making a purchase recommendation. We thus developed a scenario describing a highly satisfying service experience. The scenario read as follows: "You had a fantastic experience at a restaurant with great food and excellent service, all at a very reasonable price. It was one of the most outstanding restaurant experiences that you have had. The staff there was extremely courteous, friendly, and very well-trained. You were delighted with your experience and decided that you would definitely visit the restaurant again."

Incentive size was operationalized in the form of a discount on the next visit to the restaurant. Discounts for future visits to a restaurant are frequently used in Singapore. These kinds of rewards are generally considered cost effective for the firm, as they are more economical than cash rewards or rewards that are unrelated to a company's offerings (Kim, Shi, and Srinivasan 2001). In the scenario, the incentives would only be paid if the recommendation was successful and the other person visited the restaurant. This is consistent with the design of many existing RRP.

Different respondents will have different points of reference with regard to a reasonable price point, so the use of a relative, rather than absolute, amount to determine the size of the incentive is consistent with the principle of relativity (Heath et al. 2000). The incentive was manipulated at three levels, specifically no incentive, a 25% discount, and a 75% discount off the next bill. We assumed that the no incentive condition was the least attractive for the recommendation giver, and the 25% and 75% discounts were increasingly attractive. For the no incentive condition, there was no reference to the RRP in the questionnaire. For the two incentivized conditions, the respondent read as follows: "When you were paying your bill, the restaurant gave you a privilege card with a personalized serial number. In addition, you were also given 10 cards that had the same

personalized serial number on them. You can pass these cards to people whom you recommend to eat at the restaurant. If the person you give a recommendation to goes to the restaurant to eat and gives the restaurant the card, the restaurant will reward you with a 25% (75%) discount off your bill on your subsequent visit."

Tie strength was manipulated at two levels, namely weak and strong, which is consistent with past research (e.g., Frenzen and Nakamoto 1993; Wirtz and Chew 2002). In the weak tie condition, the scenario read: "One day, you meet Chris, who is one of your colleagues from another department in the company you work. You don't really know Chris well, but you happen to chat with him today over lunch." In the strong tie condition, the scenario was read "One day, you are having lunch with Chris, your cousin whom you are very close to."

Pretest. The scenarios were pretested for realism and believability on a sample of 60 respondents randomly assigned to the conditions of the 3 (0%, 25%, or 75% discount) \times 2 (weak or strong tie) between-subject design experiment. Mean realism for all experimental cells ranged from 5.0 to 5.7 on a 7-point scale, significantly above the scale midpoint ($p < .01$). Additionally, a one-way analysis of variance (ANOVA) was carried out to test that all combinations of the scenarios were realistic and would be something that people could identify with. Results indicated no significant difference in the realism score across the different scenarios ($p = .50$).

A 3-item, 7-point bipolar scale was used to measure satisfaction (Westbrook and Oliver 1981). Mean satisfaction was 6.0, significantly above the scale midpoint ($t = 15.2$, $p < .01$), demonstrating that the scenario elicited the intended high satisfaction perception.

The manipulation of incentive size was also checked for the two incentive levels. On a scale of 1 to 10, respondents were asked how large they thought the incentive was (10 = very large incentive). The means were 5.55 and 9.95 for the 25% and 75% discount conditions, respectively ($p < .01$).

Measures. All measures consisted of multi-item 7-point Likert-type scales ranging from 1 (strongly disagree) to 7 (strongly agree) and are shown in Table 2.

Likelihood to recommend was measured on a 4-item scale adapted from Singh (1988) and derived from comments made by respondents in the qualitative interviews. The measure of metaperception was drawn from the social psychology and the marketing literature. In social psychology, metaperception is operationalized as the belief, the impression, or the judgment that people hold about other people's views of them or of their behavior. Respondents are typically asked either to rate how they believed their partner, friend, or acquaintance would rate them on a set of adjectives (Campbell and Fehr 1990) or to indicate the impression that participants think another person would form about them or their behavior (Corcoran 1997; Vorauer and Sakamoto 2006).

As the RRP involves a recommendation from a personal source, we referred to the persuasive communication and the

Table 2. Scale Items for Construct Measures.

Model constructs	Cronbach's α	
	Study 2	Study 3
Favorability of metaperception	.93	.95
He/she will think that my recommendation is dependable		
He/she will think that my recommendation is credible		
He/she will think that my recommendation is trustworthy		
He/she will think that my recommendation is a good one		
Likelihood of recommendation	.91	.92
I am likely to recommend the restaurant (mobile data service) to him/her		
I am likely to encourage him/her to patronize the restaurant (mobile data service)		
I am likely to be enthusiastic in my recommendation of the restaurant (mobile data service) to him/her		
I am likely to put in effort to recommend the restaurant (mobile data service) to him/her		
Satisfaction with RRP	n.a.	.93
Displeased/pleased		
Dissatisfied/satisfied		
Unhappy/happy		
Manipulation checks		
Tie strength	.88	.93
He/she is someone whom I would be willing to share personal confidences with		
He/she is someone whom I would gladly spend a free afternoon socializing with		
He/she is someone whom I would be likely to perform a large favor for		
Satisfaction with firm's service	.93	.95
Displeased/pleased		
Dissatisfied/satisfied		
Unhappy/happy		
Scenario realism	.88	.90
It is easy to imagine being in the situation described in this study		
The scenario is realistic		
Something like the situation can happen		

Note. RRP = referral reward program. Constructs were measured using 7-point Likert-type scales anchored in 1 = strongly disagree and 7 = strongly agree. Satisfaction was measured through a 7-point semantic differential scale.

interpersonal communication literature to identify the adjectives to be used to evaluate the recommendation. Research has shown that individuals use several attributes to evaluate interpersonal communication: credibility (Pornpitakpan 2004), trustworthiness (Ohanian 1990; Schurr and Ozanne 1985), and dependability (Johnson-George and Swap 1982; Rempel, Holmes, and Zanna 1985). Consistent with our aim to examine the process of metaperception construction, this scale assessed the customer's perception of how the recommendation will be perceived by others on these attributes.

Experimental procedure. Respondents were randomly allocated to the experimental conditions. Each was presented with a restaurant scenario containing the incentive and tie strength manipulations. They were instructed to read the scenario carefully and imagine themselves in that situation. After reading the scenario, respondents answered four questions assessing the likelihood of their making a recommendation and four questions about the metaperception of the recommendation. To avoid

demand effects, the tie strength manipulation check was presented after these questions, before the section on demographics.

Manipulation checks. As we had two manipulated variables, a two-way ANOVA was conducted with the tie strength manipulation check measure as the dependent variable (a 4-item scale adapted from Frenzen and Nakamoto 1993) and tie strength and incentive conditions as the independent variables. As expected, there was a significant main effect of tie strength ($F = 102.1$, $p < .001$), and no other statistically significant main or interaction effects. An examination of the cell means showed that strong ties were rated as closer ($M = 5.18$) than weak ties ($M = 3.96$).

Preliminary analysis. The correlation coefficients between all variables are provided in Table 3. Metaperception was positively correlated with likelihood to make a recommendation ($r = .43$, $p < .01$). Incentives were negatively correlated with metaperception ($r = -.15$, $p < .01$), and tie strength was positively correlated with metaperception ($r = .35$, $p < .01$). These

Table 3. Study 2: Correlation Coefficients.

Variables	Tie			Recommend
	Incentives	strength	Metaperception	
Incentives	1.00			
Tie strength	.02	1.00		
Metaperception	-.15**	.35**	1.00	
Recommend	-.11*	.13*	.43**	1.00

** $p < .01$. * $p < .05$ level (both two-tailed).

Table 4. Study 2: ANOVA Results For Hypotheses and Mediation Testing.

Independent variables	Dependent variable		
	F	d.f.	Sig.
Model 1			
Metaperception			
Incentive	5.4	2	.005
Tie strength	50.2	1	< .001
Incentive \times Tie Strength	1.4	2	.23
Model 2			
Recommendation behavior			
Incentive	3.2	2	.04
Tie strength	6.0	1	.01
Incentive \times Tie Strength	0.4	2	.61
Model 3			
Recommendation behavior			
Metaperception	62.1	1	< .001
Incentive	1.0	2	.34
Tie strength	0.1	1	.73
Incentive \times Tie Strength	0.1	2	.82

three relationships are consistent with our predictions in Hypothesis 1, Hypothesis 2, and Hypothesis 3.

Hypothesis Testing

Regression analysis was used to test the effect of metaperception on likelihood to recommend. The results indicated that metaperception positively affected the likelihood to recommend ($\beta = .43$; $p < .001$; $R^2 = .18$), supporting Hypothesis 1.

We used ANOVA to test Hypothesis 2, 3, and 4, and Baron and Kenny's (1986) three sub-model approach to test the mediational role of metaperception as was advanced in Hypothesis 5 (see Table 4). Model 1 shows that incentive size and tie strength affected metaperception. The main effects were all significant with none of the interactions approaching significance.

The results show that the cell means for metaperception decreased with higher incentives ($X_{\text{no incentive}} = 5.18$, $X_{25\% \text{ incentive}} = 4.86$, $X_{75\% \text{ incentive}} = 4.74$). As predicted by Hypothesis 2, the contrasts between $X_{\text{no incentive}}$ and $X_{25\% \text{ incentive}}$ ($p = .02$), and between $X_{\text{no incentive}}$ and $X_{75\% \text{ incentive}}$ ($p < .005$) were both significant. Interestingly, the contrast between $X_{25\% \text{ discount}}$ and $X_{75\% \text{ discount}}$ was not significant ($p = .40$), although directionally, metaperception favorability was reduced as the incentive increased.

Furthermore, metaperception favorability was higher in the strong tie condition than in the weak tie condition ($X_{\text{strong tie}} = 5.33$, $X_{\text{weak tie}} = 4.52$; $F = 50.2$, $p < .001$), supporting Hypothesis 3.

Interestingly, and counter to Hypothesis 4, the hypothesized interaction between incentive and tie strength was not statistically significant ($F = 1.4$, $p = .23$). The favorability of the metaperception of the incentivized recommendation did not depend on the tie strength between the giver and the receiver. One reason for this finding may be that discounts are common in the Singapore restaurant industry and thus the main effect of the discount on metaperception, although significant, was weak (the means ranged from a minimum of 5.18 for the no discount condition to a maximum of 4.74 for the 75% discount condition). Subsequently, the power for testing the interaction effects may have been too low.

Model 2 indicates that incentive and tie strength had a significant direct effect on likelihood to recommend. In Model 3, an analysis of covariance (ANCOVA) was run with incentive and tie strength as independent variables, metaperception as a covariate, and likelihood to recommend as the dependent variable. With metaperception as a covariate, the main effects of incentive and tie strength became insignificant, and the effect of metaperception on likelihood to recommend was significant. These findings suggest that metaperception fully mediated the effects of incentive and tie strength on likelihood to recommend, thus supporting Hypothesis 5.

Study 3: Experiment in a Mobile Data Service Context

Study 3 was designed to replicate Study 2 in a mobile data service context where discounts are less commonly used than they are in the Singapore restaurant industry. This allowed for a stronger test of the tie strength–incentive interaction. In addition, we added three other constructs as control variables. First, satisfaction with the RRP to account for the respondent's subjective evaluation of the RRP, as individuals may differ in how attractive they view a particular RRP design. Second, the perceived degree of concern regarding a negative evaluation to account for potential differences in the degree to which individuals experience apprehension about being evaluated by others. Third, the respondent's perception of the recommendation recipient's need for the service to tap into the potential effects unsolicited versus solicited advice may have on recommendation behavior. Some studies on WOM effectiveness have suggested that when the recommendation is sought by a recipient it has more impact on the receiver's purchase decision than one that is volunteered (East 2003; Gremler 1994). The reason for which a consumer actively seeks the advice can be ascribed, among others, to the consumer need for a service (Mangold, Miller, and Brockway 1999). Sweeney, Soutar, and Mazarrol (2008) found evidence that WOM was more readily received when a recipient was in the market for a service or could usefully store the information away for the future. As metaperception taps into the giver's perceptions about the

Table 5. Study 3: Correlation Coefficients.

Variables	Incentives	Tie strength	Metaperception	Satisfaction with RRP	Recommend
Incentives	1.00				
Tie strength	.08	1.00			
Metaperception	-.12*	.42**	1.00		
Satisfaction with RRP	.26**	.22**	.36**	1.00	
Recommend	.08	.18**	.60**	.50**	1.00

Note. RRP = referral reward program.

** $p < .01$. * $p < .05$ level (both two-tailed).

recipient's beliefs, it seems reasonable to presuppose that if the recommender thinks that the receiver is in the market to purchase such a service, she will assume that the receiver is more ready to receive a recommendation and will therefore be more likely to make that recommendation. In other words, if the recommendation giver estimates that the receiver needs the service she will be more willing to recommend the service. We therefore controlled for this variable.

The experimental method used in this study was the same as in Study 2, except that we lowered the discount levels to 10% and 50% as pretests showed that the higher discount levels in the restaurant study were perceived as unrealistic in a mobile data service context. Thus, the scenario read as follows: "Imagine that you subscribe to a mobile data service plan for your iPad provided by Telemobile. Telemobile provides excellent customer service, its network coverage is excellent, and it charges competitive prices. Overall, Telemobile's services are deemed to be better than those of its competitors. You are pleased to be a Telemobile subscriber." For the no incentive condition, there was no reference to the RRP in the questionnaire. For the two incentivized conditions, the respondent read as follows: "Recently, Telemobile has launched a new recommend-a-friend-program. It will offer a 10% (50%) discount off your next three month's bill if you recommend a friend or family member to subscribe to Telemobile and that person subscribes to the service."

Sample, measures, and manipulation checks. Questionnaires were administered to a sample of 211 Master of Business Administration (MBA) students at a large research university in Singapore. Experimental scenarios were randomly presented to respondents who completed the questionnaire online. Measures and reliabilities of the constructs are presented in Table 2.

A preliminary analysis of the correlations among the variables showed that metaperception was positively correlated with likelihood to make a recommendation ($r = .60, p < .01$). Satisfaction with the RRP was also positively correlated with likelihood to make a recommendation ($r = .50, p < .01$). Incentives were negatively correlated with metaperception ($r = -.12, p < .05$), and tie strength was positively correlated with metaperception ($r = .42, p < .01$). These results are consistent with Hypothesis 1, Hypothesis 2, and Hypothesis 3 (Table 5).

ANOVAs were used for the manipulation check, with the two manipulations as the independent variables and one of the

manipulation checks as the dependent variable in each of the two ANOVAs. The tested manipulations were successful (tie strength $F = 197.8, p < .001, X_{\text{strong tie}} = 5.55, X_{\text{weak tie}} = 3.27$; incentive size: $F = 22.7, p < .001, X_{10\% \text{ incentive}} = 5.68, X_{50\% \text{ incentive}} = 7.06$ on a 10-point scale), and no other main or interaction effect reached significance.

Hypothesis testing. The influence of metaperception (Hypothesis 1) on likelihood to recommend was tested using regression analysis, where likelihood to recommend was regressed onto metaperception. To account for potential differences in the degree to which individuals experience apprehension about being evaluated by others, we added degree of concern regarding a negative evaluation as a control variable into the model. We used a 4-item scale ($\alpha = .91$) adapted from Leary (1983). Scale items are "I am concerned with what Chris thinks of me," "I am afraid that Chris will not approve of me," "I am worried about what kind of impression I give to Chris," and "I worry about what Chris might be thinking of me." As degree of concern was insignificant in the regression it was dropped from further analysis. The resulting model explained 35% of the variance where likelihood to recommend was positively affected by metaperception ($\beta = .60; p < .001$), supporting Hypothesis 1.

The testing of hypotheses Hypothesis 2 through Hypothesis 5 was carried out using ANOVA. Hypothesis 2 was tested by analyzing the incentive's effects on metaperception. The main effect was significant ($F = 2.9, p = .05$), and cell means indicated that metaperception favorability was higher when an incentive was absent rather than present ($X_{\text{no incentive}} = 5.41, X_{10\% \text{ incentive}} = 5.08, X_{50\% \text{ incentive}} = 5.03$). As predicted by Hypothesis 2, the contrasts between $X_{\text{no incentive}}$ and $X_{10\% \text{ incentive}}$ ($p = .05$), and between $X_{\text{no incentive}}$ and $X_{50\% \text{ incentive}}$ ($p < .02$) were both significant. The contrast between $X_{10\% \text{ incentive}}$ and $X_{50\% \text{ incentive}}$ was not significant ($p = .79$), although directionally metaperception favorability was lower as the incentive increased. Tie strength affected metaperception ($F = 45.8, p < .001$), with stronger ties displaying higher metaperception favorability than weak ties ($X_{\text{strong tie}} = 5.64, X_{\text{weak tie}} = 4.71$), supporting Hypothesis 3.

The interaction between incentive size and tie strength on metaperception was insignificant ($F = 2.1, p = .11$). However, given the marginally significant p -value and that the means were in the expected direction, we decided to test Hypothesis 4 directly and contrasted the metaperception means of the no

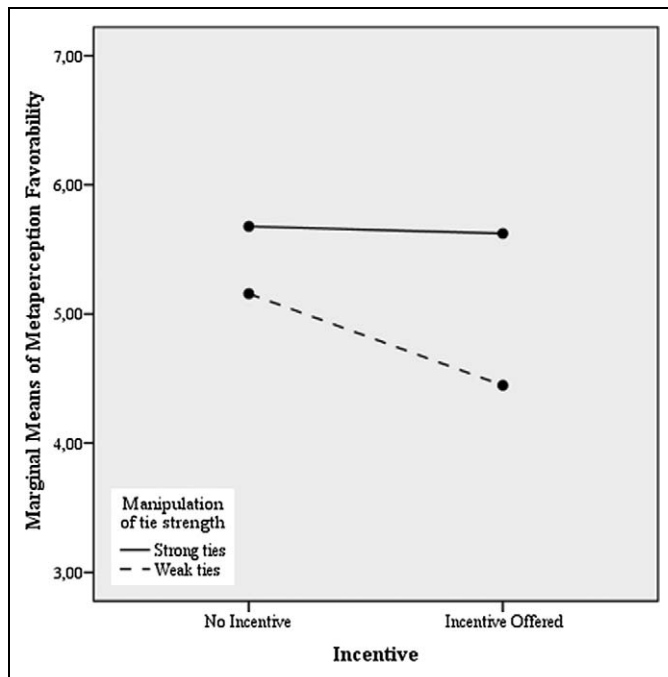


Figure 2. Study 3: Incentive and tie strength interaction on metaperception.

Table 6. Study 3: ANOVA Results for Hypotheses and Mediation Testing.

Independent Variables	Dependent variable		
	F	d.f.	Sig.
Model 1			
Metaperception			
Incentive	2.9	2	.05
Tie strength	45.8	1	< .001
Incentive × Tie Strength	2.1	2	.11
Model 2			
Recommendation behavior			
Incentive	1.2	2	.28
Tie strength	5.9	1	.01
Incentive × Tie Strength	3.8	2	.02
Model 3a			
Recommendation behavior			
Metaperception	115.9	1	< .001
Incentive	5.8	2	< .005
Tie strength	3.5	1	.06
Incentive × Tie Strength	2.7	2	.07
Model 3b			
Recommendation behavior			
Metaperception	44.7	1	< .001
Satisfaction with RRP	20.9	1	< .001
Incentive	.29	1	.58
Tie strength	.37	1	.54
Incentive × Tie Strength	2.1	1	.14

incentive condition with the incentive condition (i.e., we collapsed the 10% and 50% discount conditions into one cell). In this model, the incentive and tie strength main effects remained significant, and their interaction also became significant ($F = 4.3, p = .04$). As Figure 2 shows, the effect of incentives on the favorability of metaperception differed depending on tie strength. For strong ties, a shift from the no incentive to

the incentive condition did not result in significantly lower metaperception ($X_{no\ incentive} = 5.67, X_{incentive} = 5.62, p = .99$). In contrast, for weak ties, the drop in metaperception favorability when an incentive was present as opposed to when it was not, was significant ($X_{no\ incentive} = 5.15, X_{incentive} = 4.48, p = .004$). These findings provide support for Hypothesis 4 (Table 6).

Model 2 examined the effects on likelihood to recommend. It showed that incentive had no significant main effect on likelihood to recommend ($F = 1.2, p > .05$), whereas the opposite held true for tie strength ($F = 5.9, p = .01$). These main effects were qualified by a significant interaction between incentive size and tie strength ($F = 3.80, p = .02$), showing that when incentives increased to a 10% discount, weak ties displayed a lower intention to recommend ($X_{no\ incentive} = 5.37, X_{10\% incentive} = 4.80, p = .05$), whereas for strong ties, intention to recommend increased ($X_{no\ incentive} = 5.19, X_{10\% incentive} = 5.81, p < .10$).

As Figure 2 shows, it is interesting to note that a small incentive was all that was needed to encourage a recommendation to a strong tie, but the intention to recommend plateaued between the 10% and 50% discount conditions ($X_{50\% incentive} = 5.79$). In contrast, for weak ties, a small incentive had a negative effect on recommendation behavior, probably because of the negative effect of the incentive on metaperception. Only a larger incentive could overcome the negative metaperception effects. However, even the larger incentive did not result in a high likelihood to recommend compared to the no incentive condition ($X_{no\ incentive} = 5.37, X_{50\% incentive} = 5.36, p = .86$).

Finally, Models 3a and 3b were estimated. In Model 3a, an ANCOVA was run with incentive and tie strength as factors, favorability of metaperception as a covariate, and likelihood to recommend as the dependent variable. Model 3a shows that metaperception had a significant effect on likelihood to recommend. With metaperception in the model, the main effect of the incentive became significant, whereas tie strength and the interaction between incentive and tie strength were now only marginally significant. Thus, we found support for Hypothesis 5 with partial mediation of metaperception.

To control for both individual differences in the evaluation of RRP attractiveness in our scenario and the perceived need of the receiver for the service, we included both variables in Model 3a as covariates. Satisfaction with the RRP, as a covariate, was significant ($F = 20.9, p < .001$). As no established scale exists to measure recommender’s awareness of the receiver’s need for the service, a scale was developed on the basis of the literature on actively seeking WOM behavior (Bansal and Voyer 2000; Mangold, Miller, and Brockway 1999). Items were measured on a 3-item, 7-point Likert-type scale (scale items “I have the feeling Chris asked advice from me about mobile service providers,” “I think Chris requested my help regarding mobile service providers,” and “I believe Chris wanted my advice on which mobile service provider to subscribe to”; $\alpha = .91$). The effect of this construct as a covariate was insignificant ($F = 1.7, p = .19$) and therefore dropped from further analysis.

The final Model 3b included satisfaction with the RRP and metaperception as covariates. With both covariates in the

model, incentive, tie strength, and their interaction were not significant, and the effects of metaperception and satisfaction with the RRP on likelihood to recommend remained significant. Together, these findings suggest that both metaperception and satisfaction with the RRP fully mediate the effects of incentive and tie strength on likelihood to recommend.

Discussion and Implications

The key objectives of this research were to explore whether recommendation givers' intentions to recommend are affected by the metaperception of their behavior and whether metaperception is influenced by referral rewards and tie strength.

Summary of Findings

Our three studies extend the understanding of metaperception as an important factor in explaining incentivized recommendation behavior. First, the findings of the qualitative study show that many respondents were concerned with how others would perceive them and their recommendations if referral rewards are involved. Our two empirical studies are consistent with this finding and confirm that incentives can have a negative effect on the favorability of metaperception. When incentives were involved, the favorability of the metaperception of the recommendation decreased. In other words, in the presence of an incentive, potential recommendation givers projected the negative self-perception of self-interested behavior onto the assumed opinion of the recommendation receivers.

Second, our findings show that strong tie relations were perceived as having a more positive metaperception of a recommendation than weak tie relations. This result is consistent across all three studies, supporting the relevance of tie strength as an antecedent of metaperception.

Third, our qualitative study shows that metaperception and impression management concerns would be more negative with weak ties than with strong ties because of the lower trust between weak ties. This finding is corroborated in Study 3, where the incentive and tie strength main effects were moderated by an incentive–tie strength interaction. Specifically, when incentives were involved, metaperception favorability decreased more for weak than for strong ties. This suggests that in a strong tie relationship, a recommendation giver is likely to think that a referral reward is not going to alter the judgment that the receiver has of the recommendation but that it does so for weak ties.

Fourth, metaperception was found to mediate the relationship between incentives and the likelihood to recommend in our empirical Studies 2 and 3. This finding suggests that recommendation givers, when presented with a reward, engage in a cognitive assessment of their behavior which ultimately determines the likelihood of them making the recommendation.

Finally, Study 3 shows that the recommendation giver's level of satisfaction with the RRP increased the likelihood to recommend. In fact, satisfaction with the RRP together with metaperception fully mediated the effects of incentives and tie strength on likelihood to recommend. Interestingly, incentives

had a negative effect on metaperception, but a positive effect on satisfaction with the RRP. Depending on the relative strength of these effects, this means that the net effect of incentives on recommendation behavior can be negative, neutral, or positive, as shown in Study 3 (see Figure 3).

Theoretical Implications

This study makes several important contributions to the literature. First, it contributes to a better understanding of incentivized recommendation behaviors. Naturally occurring WOM referrals have always been thought of as credible and trustworthy (Flynn, Goldsmith, and Eastman 1996; Murray 1991; Silverman 1997) because the WOM giver is seen as independent of the firm. However, with incentive programs, the assumption of independence the independence and impartiality of the WOM giver is being challenged. Our study contributes to the understanding of how consumers react to being rewarded for making recommendations by taking into account the psychological consequences of asking customers to use their personal relationships to benefit the company and themselves.

Second, this study is the first to incorporate the concept of metaperception into the examination of recommendation behavior. We use this psychological concept in a consumer context to explain how recommendation givers deliberate over the offer of an incentive. Our findings suggest that when asked to make a recommendation and presented with a reward in the case of a successful referral, people will engage in an evaluation of their behavior and transfer their self-judgment onto the opinion of the receivers. Furthermore, our results suggest that the likelihood of an incentivized referral occurring is determined by the recommendation givers' beliefs about what others will think of their behavior.

Third, the use of metaperception in our model clarifies the relationship between incentives and recommendation behavior. Although an incentive in general is thought to have a positive impact on the likelihood to recommend, there are constellations in which there is a reverse-incentive effect, specifically, when the recommendation giver is concerned that the recipient may view the incentivized recommendation in a negative light.

Fourth, and related to the previous point, our study suggests that the strength of the ties between the recommendation giver and the receiver is likely to affect recommendation behavior via metaperception. Strong ties are less concerned about a potential decrease in metaperception favorability than weak ties. As Study 3 shows, a small incentive increased the likelihood to recommend to strong ties, whereas it decreased the likelihood to recommend to weak ties. This is probably due to the negative effect of the incentive on metaperception favorability as shown in the mediation analysis.

Managerial Implications

Our study does not provide indications about the effectiveness of any particular RRP, and we acknowledge that managers need to take cost and revenue projections into account. However, on the basis of our findings, we advise managers to

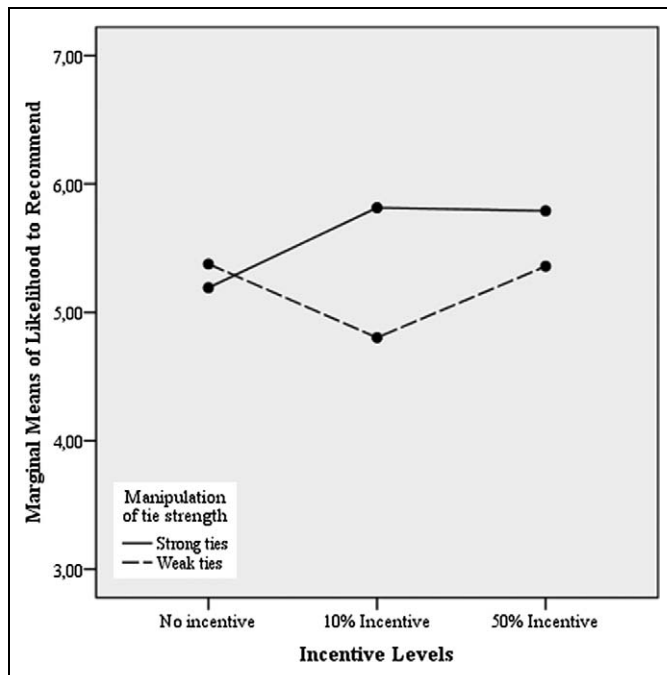


Figure 3. Study 3: Incentive and tie strength interaction on likelihood to recommend.

accompany the economic analysis of the launch of an RRP with the considerations discussed in the following paragraphs.

First, the findings of the qualitative study confirm that satisfaction is a necessary, albeit not sufficient, requirement for recommendations to occur. In other words, only satisfied customers are likely to engage in incentivized referrals. Thus, it is important for companies to deliver high levels of satisfaction, and/or target their RRP at customer segments that display high satisfaction (e.g., the top tier customers of a firm's loyalty program).

Furthermore, our results indicate that companies should ensure that customers are not only satisfied with their service but also with the RRP if they want customers to recommend the service. Thus, a company wishing to fully reap the benefits of RPPs needs to offer a hassle free program with attractive rewards so that customers are motivated to engage in recommendation behaviors.

Surprisingly, Study 2 did not show a positive effect of incentives on recommendation behavior. In fact, incentives had a negative effect via metaperception. Perhaps respondents did not view a discount voucher as particularly attractive as many restaurants use such vouchers that frequently come with conditions attached (e.g., not valid on weekends or have to be used with a minimum spent, etc.). Nevertheless, the high face value of the vouchers did have an effect on metaperception. This type of incentive may not have been attractive enough to stimulate recommendation behavior but was large enough to generate negative metaperception. Firms running such RPPs would find their effort wasted.

In addition, we found that tie strength is an important predictor of the favorability of metaperception. These results highlight the fact that service firms have to be careful when

targeting weak ties because they may be less effective, and larger incentives may be needed to overcome negative metaperception effects (c.f., Xiao, Tang, and Wirtz 2011). Furthermore, since the favorability of metaperception is more positive with strong tie relations, marketers could design programs encouraging recommendations to strong tie relations (e.g., family or partner plans for cell phone services or fitness centers).

Related to the previous point that focused on the tie strength main effect, we also found a tie strength–incentive interaction effect on metaperception in Study 3. This finding suggests that metaperception and impression management concerns may be most important in weak to medium tie relationships, such as acquaintances and work colleagues, where relatively minor and single actions like a referral have the potential to shape impressions. This is in contrast to strong tie relationships (such as close friends or immediate family members) who may be unlikely to change their metaperception because of a referral reward as perceptions have been built up over a longer period of time and are relatively stable. Again, this finding suggests that firms should be careful when targeting RPPs at weak tie relations.

Finally, in situations where customers have high positive impression management needs and are keen to be seen as helpful, kind, or knowledgeable and/or where customers are concerned about making a potentially negative impression (e.g., being motivated by a reward and benefitting from the recipient's purchase decision), the introduction of RPPs may be detrimental. Such situations may include high involvement services (e.g., cosmetic surgery, high-end holiday packages), causes customers are heavily invested in (e.g., a university alumni association), which customers enjoy talking about, and which make them appear in a positive light. For example, Unicredit, a large European bank, found that in its private banking segment, pure WOM on strong ties worked better than incentivized recommendations because this segment was more motivated by the need to appear competent in the eyes of their recommendation recipients than by monetary rewards. This discussion suggests that firms may want to avoid providing incentives to customer with high positive impression management needs and rather emphasize other benefits of providing WOM and making recommendations (e.g., “do something good for the cause,” “for your friend,” “for your colleagues,” perhaps even combined with a special offer for the friend rather than an incentive for the recommendation giver).

Finally, we recommend targeting RPPs at strong rather than weak ties because of the lower negative effects of incentives on metaperception. For example, mobile phone companies could target college roommates, families with family plans, or even have plans targeting fraternity or sorority members. When targeting weak ties, managers should be aware that incentives need to be attractive enough to override their possible negative effect on metaperception.

Limitations and Further Research

Despite its interesting findings, this study is not without limitations and there are a number of research questions that warrant

further investigation. First, the scenarios used in our experimental studies did not explicitly state that the recipient knew that the giver was receiving an incentive. This might have had an impact on the influence of the incentive on metaperception and thus resulted in lower power and a conservative test of our hypotheses. As our hypotheses were largely confirmed, we do not believe that this is a major problem. Furthermore, our experiments have high external validity, as recommendation givers would learn about rewards through the firm's communication platforms (e.g., on the firm's website, posters in its branches, brochures or sales pitches by frontline employees). Although it is possible that recommendation receivers at the point of making a purchase decision may not see a firm's communications, recommendation givers can assume that recipients will find out once they become customers and are exposed to the firm's RRP marketing communications. Nevertheless, future studies may want to state this aspect explicitly in the experimental scenarios so that it is clear that the recipient knows that the giver is making an incentivized recommendation.

Second, in our studies we treated the distinction between perceived need for the service (a proxy for solicited and unsolicited recommendations) as a covariate. In doing so, we let respondents infer whether the recipient needed the recommended service or not. This might have generated the insignificant effect of this construct on likelihood to recommend. Future studies might include this distinction in the scenarios by overtly manipulating the presence or absence of the receiver's need for a service and whether a recommendation was solicited or unsolicited.

Third, we did not manipulate the quality level of the recommended service and focused only on a service experience of outstanding quality. In doing so, we took the conservative stance that metaperception matters even when the customer is delighted, and we showed that even in this situation there are still metaperception and impression management concerns. Although we would fully expect the effects of metaperception to increase with declining customer satisfaction, future research should explicitly test our models with varying levels of service quality.

Fourth, in our studies, incentives negatively affected the metaperception of the recommendation. Future research should focus on how one can minimize this negative relationship and the underlying processes driving this effect. In our empirical studies, the incentive was given only to the recommendation giver. Future research could focus on different distributions of incentives to see whether they would help to counter the unfavorable metaperception. For example, if both the recommendation giver and recipient were to receive an incentive, then the metaperception of the recommendation might be less unfavorable. Alternatively, if the recommendation recipient was to receive a higher incentive than the giver (or even the entire incentive), this may enhance the perception that the giver is other-oriented and improve the recommendation's metaperception (c.f., Xiao, Tang, and Wirtz 2011).

Fifth, future research could experimentally separate the face value of an incentive (i.e., its objective value) from its

attractiveness (i.e., its subjective value) to the respondent. It seems likely that the face value drives metaperception (e.g., \$50 worth of international calls), whereas the perceived attractiveness of the reward (i.e., satisfaction with the RRP or its utility to the recommendation giver, e.g., "I don't need this as I don't make international calls") motivates recommendation behavior. If confirmed, firms would have to become cognizant of the interplay between face value and the utility of the incentives, as increasing the face value of a reward with low utility could have a negative effect on recommendation behavior.

Sixth, the degree of the tie strength between the recommendation giver and the receiver also deserves further investigation. It is possible that if we extended the tie strength-metaperception relationship from strong (communal ties such as spouse and children) to very weak or even nonexistent (e.g., in an anonymous online environment in which one acts using a pseudonym), an inverse U-shaped relationship with metaperception may emerge. Metaperception does not come into play in communal relationships because people trust that others trust them and will not change their perceptions about them because of an incentivized referral (i.e., we do not have to worry much about the impression we create with minor behaviors in this context). Similarly, but for the opposite reason, metaperception may not matter much in an anonymous environment as people may care little about what recommendation recipients think about them as they do not know them, and their perceptions of them have no future bearing. However, people seem to care most about impressions created with medium ties (e.g., a colleague or acquaintance)—they do not know us well enough, so their perceptions can be shifted by an impression of relatively minor behaviors, while at the same time people can care intensely about what medium ties think about them.

Seventh, we hypothesized and found that strong ties' metaperception is less sensitive to incentives than that of weak ties. However, we acknowledge that there might also be situations when unfavorable impression concerns are more pronounced when strong rather than weak tie relations are involved, as compromising an existing relationship may be riskier for consumers when the recommendation receiver is a good friend, rather than merely an acquaintance. In our view, the "seriousness of the betrayal" may be a boundary condition for the interaction between the giver's behavior and tie strength. For minor acts (such as a recommendation as part of an RRP), a person might presume that strong ties will trust her and there will be no effect on metaperception. In contrast, for major acts (e.g., a true betrayal in a marriage or friendship), a person might presume that close ties will respond more strongly than weak ties because their deep trust has been violated (McCullough et al. 1998; Moreland and McMin 1999). Future research could explore such potential boundary conditions of the tie strength-metaperception relationship.

Eighth, future research could examine potential additional effects RRPs might have on recommendation givers. For example, after making an incentivized recommendation, customers might feel that the company has made them threaten their

friendships or other social relationships (e.g., if there is a risk that the recommendation recipient is not satisfied with the recommended service), and this might negatively affect the giver's loyalty and repatronage intentions. A broader model that includes metaperception, additional outcome variables, and their network of relationships could guide research and practitioners in developing more effective RRP.

Finally, future research should also consider how culture might influence the effects that RRP have on metaperception. For example, collectivistic cultures could be more concerned with others' perceptions than individualistic cultures because the concept of "face," loosely translated as good reputation or respect, is highly relevant in collectivistic countries (Hofstede 1997).

In sum, this study has provided insight into a psychological process recommendation givers activate (i.e., metaperception) when they are offered a reward for recommending their service provider to others. We have shown that RRP can have a positive, neutral, and negative effect on recommendation behavior depending on the relative strengths of the negative indirect effect of incentive on recommendation behavior via metaperception, and the positive effect of the perceived attractiveness of the incentive on recommendation behavior. We hope the contribution of this study on consumer responses to RRP will provide impetus to further research in this field.

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