

Engaging customers through online and offline referral reward programs

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Abstract

Purpose – This paper aims to examine the psychological consequences of a customer engagement initiative through referral reward programs (RRPs) in online versus offline environments.

Design/methodology/approach – The authors conducted a qualitative study followed by a scenario-based experimental study.

Findings – The authors show that recommenders' concern about how they are viewed by recommendation recipients (i.e. their metaperception) mediates the effects of incentives on referral likelihood in both offline and online environments. However, metaperception has a stronger effect offline where recommenders show higher impression management concerns compared to online. Furthermore, tie-strength and communication environment moderate the effect of incentives on metaperception. When referrals are made to weak-ties, incentives decrease metaperception favorability offline more than online. For strong-ties, this effect is lower, and it is similar in offline and online environments.

Research limitations/implications – The study focused on an online versus offline dyadic communication and did not consider the differences among social media. Furthermore, the authors did not consider how other forms of positive metaperception, like being seen as helpful or knowledgeable, could be increased in an online incentivized referral context. It is possible that a recommender thinks others see him as more helpful or knowledgeable online because a lot more useful information and other resources could be offered here compared to offline communications.

Practical implications – The authors recommend managers to design both online and offline RRP that minimize metaperception concerns; target strong ties in any communication environment as metaperception concerns are low; and target weak ties online where metaperception concerns are muted.

Originality/value – This work is the first to examine how recommenders' psychological responses differ offline and online.

Keywords Customer engagement, Referral reward programs, Metaperception, Tie-strength, Online and offline

Paper type Research paper



Introduction

Referral reward programs (RRPs) are a customer engagement initiative devised to incentivize current customers (recommendation givers) to recommend a firm's products to others in their social networks (recommendation recipients). RRP are a popular practice adopted by service firms in offline and online environments as they rely on the enhanced capabilities of existing customers in providing referrals (Hollebeek *et al.*, 2016a, 2016b) and offer indirect customer contributions to profit (Kumar, 2018). Examples range from e-banking, e-commerce and telecommunications services, to bookstores, restaurants and tuition centers. RRP are important customer acquisition tools as they have the potential to reduce acquisition costs for the firm and bring in future revenue (Kumar *et al.*, 2010; Jaakkola and Alexander, 2014).

The assumption on the effectiveness of RRP is based on findings in the word of mouth (WOM) literature, where WOM has been shown to be generally considered credible, trustworthy, and beneficial by its recipients (Arndt, 1967) because the WOM giver has little to gain from making a recommendation and from the WOM recipient's subsequent actions (Thorelli, 1971). As a consequence, engaged customers play a critical role in marketing by providing recommendations that have a strong impact on consumer buying decisions (Brodie *et al.*, 2011; Murray, 1991).

However, organic and incentivized WOM represent two very different forms of customer behavioral engagement. The first is spontaneously activated by the customer, whereas the second is initiated by the firm through the provision of rewards to the customer (Van Doorn *et al.*, 2010). In this latter form, the assumption of independence, objectivity and impartiality of the recommendation is being challenged as the RRP provides the referral giver with a stake in the recipient's potential purchase decision. Neglecting the difference between these two forms of WOM activity can limit our understanding of the different behavioral manifestation of engagement. Indeed, in incentivized recommendations contexts, referral givers can be concerned with what recipients might think about them receiving an incentive and are likely to hesitate if they believe their motive for making such a recommendation may be questioned. In short, potential recommendation givers may be wary about their metaperception, that is, the impression they create with the recipient (Orsingher and Wirtz, 2018; Wirtz *et al.*, 2013a).

Studies on metaperception concerns in referral contexts have focused exclusively on customer referrals being conducted in offline environments such as face-to-face or over the phone (Jin and Huang, 2013; Ryu and Feick, 2007; Wirtz and Chew, 2002; Wirtz *et al.*, 2013a). The online environment and an increasing number of companies adopting online business models have provided a renewal in marketing efforts designed to take advantage of offline and online customer social networks (Kumar *et al.*, 2010). Customers are now constantly connected to other customers and firms, through the Internet, mobile applications, e-commerce platforms and social networks (Venkatesan, 2017). Consequently, it is vital to understand how RRP work online from a recommendation giver perspective. Given that interpersonal relationships, impression management, and social dynamics in online settings are qualitatively different from offline contexts (Tanis and Postmes, 2003), it is important to examine how incentives affect online behavioral engagement (i.e. recommendation behavior), and whether metaperception has the same implications in both online and offline contexts.

Our study contributes to the existing literature on customer engagement in two important ways. First, we differentiate between organic and incentivized WOM, and by focusing on the latter, we address the psychological mechanisms that affect this behavioral manifestation of engagement. Second, we examine how incentivized recommendation

behavior differs in online versus offline environments. Social media's ability to provide information and participate in a dynamic conversation with customers enhance customers' desire to engage with their extended social network (Grewal *et al.*, 2017). Thus, it seems important to understand how the communication environment affects customer referral behavior.

We propose that the communication environment (i.e. online versus offline) influences metaperception of incentivized referrals and subsequent referral likelihood. As the conceptual model in Figure 1 shows, we examine:

- the mediating role of metaperception in the relationship between incentives and referral likelihood;
- how metaperception itself is shaped by the communication environment (online vs offline); and
- the interplay of incentives (incentivized vs unincentivized), tie-strength between the recommender and the recipient (strong vs weak), and communication environment.

The analysis of these motivational, social and communication factors provide insights on when firms can effectively stimulate customer engagement behavior by providing rewards to their customers.

Theoretical background and hypotheses

Customer engagement, metaperception and referral behavior

As the marketing environment evolves and customers' resource contributions increasingly affect value co-creation (Hollebeek *et al.*, 2016b; Jaakkola and Alexander, 2014), firms increasingly pursue strategies that proactively stimulate customer engagement (Harmeling *et al.*, 2017; Kozinets *et al.*, 2010; Pansari and Kumar, 2017). Customer engagement represents a multi-dimensional concept comprising relevant cognitive, emotional and behavioral dimensions (Hollebeek, 2016a, 2016b, 2014) in which the behavioral manifestation from a customer toward a brand or a firm goes beyond their purchase behaviors (van Doorn *et al.*, 2010). Customer engagement is connected to customer value

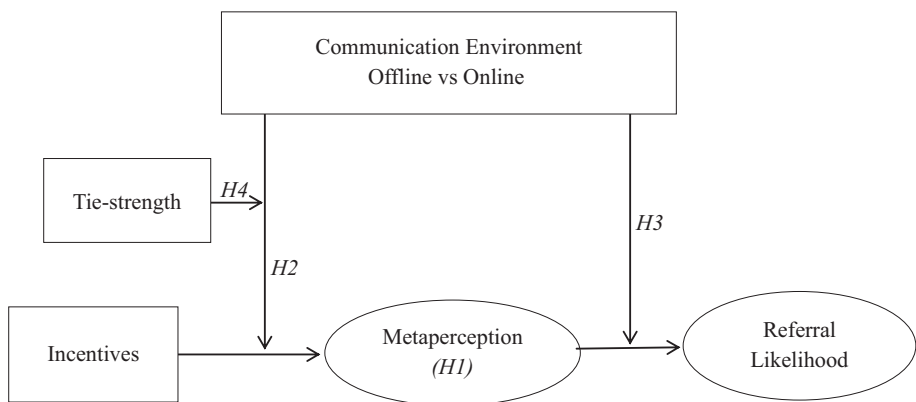


Figure 1.
Conceptual model

Notes: Hypothesis number in brackets denotes a mediating relationship. *H4* advanced a three-way interaction

management (Verhoef *et al.*, 2009) through its objective, that is, to maximize the value of a firm's customer base (Bijmolt *et al.*, 2010). In this line, recent research (Kumar, 2018; Kumar *et al.*, 2010) complements the concept of customer engagement with the one of value. The resulting conceptualization offers a four-dimensional view of customer engagement value. The first is the total value provided by customers through their purchases (CLV), the second through their ability to refer other customers using the firm's referral program [customer referral value (CRV)], the third through customer's positive influence on other potential customers about the firm's offerings on social media [customer influence value (CIV)] and the fourth through the provision of feedback and ideas to the firm [or customer knowledge value (CKV)].

According to this conceptualization, customer engagement can result in many types of behaviors, including cross-selling and up-selling, providing ideas for innovation, WOM activity and referrals (Kumar *et al.*, 2010). In particular, WOM is considered to be a tenet of behavioral engagement (Hollebeek *et al.*, 2016c) that helps improve and develop the firm's offerings (Jaakkola and Alexander, 2014; Kumar *et al.*, 2010), and creates value for the firm (Kumar *et al.*, 2010). Although extant research agrees on considering WOM as a clear manifestation of customer engagement (Bijmolt *et al.*, 2010; Groeger *et al.*, 2016), the engagement literature has generally not distinguished between two different forms of WOM: organic and incentivized WOM. Conceptually, organic and incentivized WOM are two different form of customer engagement providing different sources of value. The first occurs spontaneously and includes mentions, product and service reviews and direct recommendations of goods and services (Berger, 2014). The corresponding value metric, CIV, represents the monetary gain (or loss, for negative reviews) that is attributable to a customer through the spread of positive or negative influence (Kumar, 2018). The second is company activated by offering a reward for the WOM activity. The corresponding value, CRV, originates from the influence that current customers exert on prospects directly through a firm's referral program.

This difference between organic and incentivized WOM is proposed to have important consequences on the psychological aspects of customer engagement behavior. Specifically, incentives introduce an economic component in a social relationship and might, therefore, alter the (perceived) motivation for engaging in a recommendation. Wirtz *et al.* (2013a, 2013b) and Jin and Huang (2013) demonstrated that incentives do not necessarily stimulate recommendation intentions because incentives generate the concern to be seen as motivated by the incentive rather than having the best interest of the recommendation recipient at heart. This concern, in turn, reduces recommenders' intention to engage in referrals. As more and more companies are developing activities such as RRP to increase the levels of consumers' engagement to attain superior performance (Hollebeek *et al.*, 2014), neglecting the difference between these two forms of customer engagement can lead to a biased perception of a customer's contribution to a firm's customer base.

Indeed, when customers engage in incentivized referral behavior, it usually takes place in a social setting such as a conversation between two people or among a group of people. As with any social setting, people constantly make judgments of one another through interpersonal evaluation (Schlenker and Leary, 1982). Goffman (1959) found that the need for social approval (or a fear of social disapproval) generally leads to impression management. Thus, people adapt or adjust their behaviors to get positive appraisals from others. In other words, impression management involves taking the perspective of others, anticipating their likely reactions to one's own possible conduct, and adjusting one's behavior accordingly (Schlenker and Pontari, 2000).

Central to the processes of interpersonal perception, impression management, and self-presentation is the concept of metaperception (Schlenker, 1980). Metaperception concerns the process by which people determine what impressions other people may be forming of them and their behaviors (Laing *et al.*, 1966). When people interact with others, they usually prefer to be seen in a socially desirable way, such as appearing competent, attractive and honest (Schlenker and Leary, 1982). Thus, before a person engages in a behavior, he will likely activate the process of metaperception to discern how his interaction partner will perceive that behavior. If a person thinks that the interaction partner will perceive the behavior favorably (unfavorably), he will be more (less) likely to engage in that behavior.

Metaperception has been shown to affect the evaluation and adaptation of customer engagement behavior in a referral context (Orsingher and Wirtz, 2018; Wirtz *et al.*, 2013a) and has been shown to be the most important determinant of actual and successful referral behavior (Wirtz *et al.*, 2018). Unincentivized referral givers are likely to perceive themselves as altruistic and other-oriented and believe that others judge them the way they perceive themselves. Thus, they are likely to formulate a positive metaperception of their behavior and act accordingly.

Incentives, however, alter the nature of the recommendation and the outcome of the metaperception process. In an incentivized referral situation, a recommender might think that if the recipient learns about the existence of a reward, she may suspect a hidden or ulterior motive (Tuk *et al.*, 2009; Verlegh *et al.*, 2013). Research on recommendation recipients supports this fear and has shown that incentives raise questions on ulterior motives and reduce perceived sincerity of a recommendation (Tuk *et al.*, 2009; Verlegh *et al.*, 2013). As a consequence, the giver will be likely to formulate a less positive metaperception compared to an unincentivized recommendation, and therefore be less likely to engage in recommendation behavior. Thus, while an incentive can have a positive impact on the referral likelihood, 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 (Jin and Huang, 2013; Wirtz *et al.*, 2013a). In other words, metaperception concerns might suppress the positive effect of an appealing incentive on recommendation behavior.

Past research has shown that, in offline environments, metaperception acts as a key mediating variable that explains how an extrinsic reward (i.e. an incentive) is internally processed by the recommendation giver and subsequently shapes recommendation behavior (Orsingher and Wirtz, 2018; Wirtz *et al.*, 2013a; 2018). Consumer responses to RRP's have not been examined in an online environment yet. However, there is research that supports the general notion that individuals monitor the impression they are creating also in online environments by attempting to view themselves as others might see them (Sherman, 2003). Thus, we advance that metaperception operates as a mediating psychological mechanism in both offline and online environments. Accordingly:

- H1. Metaperception mediates the effects of incentives on referral likelihood in both online and offline communication environments.

Offline and online environments as moderator

Past work in the offline environment has examined how metaperception is determined by incentive size, showing that there is a negative relationship between the size of incentives and the favorability of metaperception (Wirtz *et al.*, 2013a). However, there are several reasons why this relationship may vary across communication environments.

First, in offline, face-to-face communications, individuals are able to read non-verbal cues (e.g. facial expressions, tone-of-voice, and body language) from their interlocutors. The personal

contact, instantaneous feedback and close physical proximity of a face-to-face conversation make individuals sensitive to and concerned about metaperception and interpersonal evaluation, encouraging people to adapt their social behavior accordingly (Sherman, 2003; Vorauer and Miller, 1997). In online communications, due to the limited capacity to convey social cues of computer-mediated communication (CMC), individuals are less able to read the reactions of others as a response to their behaviors (Tanis and Postmes, 2003). As a result, actions and decisions, and not just talk, can become more extreme and impulsive, and individuals might feel less bound by convention and less concerned with consequences (Sproull and Kiesler, 1991).

Second, online incentivized referrals are less intrusive than offline ones because a recommendation recipient is not forced to listen to a giver but rather could accept or reject an online referral (e.g. by simply deleting an email). A referral made offline, such as in a face-to-face or phone conversation, might be perceived as a cold call marketing tactic and thus deemed as intrusive (Hine, 1998). In contrast, recommenders who employ an online medium to make an unsolicited referral know that they are not overly intruding the privacy of the recipient, especially as the sharing of new information via email and social media has become commonplace (Wirtz *et al.*, 2013b). Thus, the unobtrusive nature of online referrals might mitigate any potentially unfavorable effects of an incentivized referral on metaperception.

Third, with online referrals being primarily text based, recommenders are aware that recipients can seek information at their own pace, and if desired, can take more time to process the information (Sun *et al.*, 2006). Written text may also transmit the information in a more intact manner and make the information appear more formal, leading to greater credibility (Murphy *et al.*, 2003). Thus, there is a possibility that the written form of emails and referrals via other online media help to curb potentially unfavorable metaperception caused by incentives. Therefore, we advance:

- H2.* Communication environment moderates the effect of incentives on metaperception. Specifically, the negative effect of incentives on metaperception will be weaker in online compared to offline environments.

The communication environment might also moderate the relationship between metaperception and recommendation likelihood. Specifically, in online environments, impression management concerns are mitigated due to the reduced capacity of online media to convey social cues and feedback (Hancock and Dunham, 2001; Tanis and Postmes, 2003). Online, individuals have a lower public self-awareness and feel reduced apprehension of social disapproval because negative social cues are less salient in a CMC environment (Matheson and Zanna, 1988). Factors such as dissociative anonymity, invisibility and physical distance of online communication could all contribute to the fact that people become less conscious of other's impressions of them when online (Suler, 2004). Research in CMC calls this illusion of anonymity "disinhibition," which is defined as "any behavior that is characterized by an apparent reduction in concerns for self-presentation and the judgment of others" (Joinson, 1998, p. 44). Thus, the combination of a lack of social cues and increased physical distance between online interaction partners makes people less sensitive to the consequences of their behavior.

Taken together, these studies suggest that the relationships linking engagement behavior (referrals) to likelihood to recommend through metaperception vary with the communication environment. Specifically, we expect that metaperception will have a stronger effect on offline environments compared to online environments. Thus, we predict:

- H3.* Communication environment moderates the effect of metaperception on referral likelihood. Specifically, the effect of metaperception on referral likelihood will be weaker in online compared to offline environments.

Tie-strength as moderator of the effect of incentives on metaperception

Research has shown that, whether recommendation recipients think that recommenders will perceive them in a positive or negative light, also depends on the nature of the relationship (Orsingher and Wirtz, 2018; Ryu and Feick, 2007; Wirtz *et al.*, 2013a). Strong ties, such as close friends and people with other strong social ties (Menon and Ranaweera, 2018), have had many interactions over a long period, and their interpersonal perception is less likely to be determined by a single action like an incentivized referral. Most probably, the presence of trust among strong ties negates a potentially unfavorable metaperception caused by an incentive. Consequently, recommenders are likely to feel that their incentivized referrals are not viewed negatively by strong-tie relations because of the mutual trust between both parties (Wirtz and Chew, 2002; Wirtz *et al.*, 2013a). We advance that this trust is not affected whether a recommendation is made face-to-face or online. That is, regardless of the communication medium used, the mutual trust and closeness in strong-tie relationships will negate a potential negative effect of incentives on metaperception.

In contrast, incentives have a negative effect on metaperception when referrals are made to weak ties. Weak ties lack the deep concern for each other and the frequency of contact. As such, there is a tendency for recipients in a weak-tie relationship to be more suspicious of the motives of the recommender and to perceive the recommendation as being less credible (Verlegh *et al.*, 2013). Wirtz *et al.* (2013a) found that unfavorable metaperception was high with weak-tie relations because recipients were perceived as motivated by the reward rather than actual goodwill and a desire to help the recipient. As a result, the effect of an incentive on metaperception was more negative when a recommendation was made to a weak-tie than to a strong-tie relation. For weak ties, therefore, we expect that the low social presence and physical distance of online communication with its lower self-awareness and impression management needs will reduce any potential negative effects of incentives on metaperception. In sum, we predict that the moderating effect of communication environment will be stronger when incentivized referrals are made to weak-tie compared to strong-tie relations. Hence, we advance the following hypothesis:

- H4.* Tie-strength and communication environment moderate the relationship between incentives and metaperception. Specifically, (a) when recommenders make referrals to weak-tie relations, incentives have a less negative effect on metaperception online than offline, and (b) when recommenders make referrals to strong-tie relations, the metaperception differential between online and offline is reduced.

Study 1: in-depth interviews

Study 1 seeks to enhance our understanding of how engaged customers think others will perceive their incentivized recommendations, and whether such perceptions influence their recommendation behaviors in online and offline environments with strong- and weak-tie relations. We used a qualitative method because this has been proven to be valuable in expanding the current understanding of consumer behavior such as engaging in WOM (Neumann, 2015). This interpretive approach to research yields rich, descriptive data that provide a contextual understanding of the phenomenon at hand (Bryman, 2006).

Qualitative research in the form of in-depth interviews was used for this study for three main reasons. First, few WOM researchers have focused specifically on the motivators of recommendation behavior in an online vs offline setting. They have either examined the motivators of WOM in general (Berger, 2014) or divided the motivators into those for positive WOM and those for negative WOM (Mangold *et al.*, 1999). The literature on CMC suggests that communicating online is qualitatively different from communicating offline. Thus, the interviews helped us situate the findings of the CMC literature in an incentivized recommendation context and confirm the relevance of the drivers of incentivized recommendation behavior identified in offline contexts also for online context.

Second, the in-depth interviews were designed to shed light on whether metaperception concerns differ online and offline. Although people always tend to manage others' impression when they know that they will be evaluated (Goffman, 1959), the intensity of metaperception concern could vary according to whether the interaction takes place in an offline or online communication environment.

An interview guide was developed to ensure that all topics were covered in the same depth and order for each respondent, while still keeping the tone of the interview informal, allowing for more natural responses (Patton, 2002). A pretest was conducted to ensure that the questions were clear, unambiguous and easy to understand. Finally, over the course of the interviews, the researchers added prompts based on the insights gained from the initial interviews.

In total, 20 respondents varying in terms of age, education level and occupation were interviewed. There was an equal number of male and female respondents, 16 were working adults, three were students and one was a homemaker. Interviews were conducted face-to-face in respondents' homes or restaurants, lasted for about 30 min and were audio taped and transcribed verbatim. The interviewer took notes on any comments respondents made before and after the audio recording. The transcriptions were emailed to the participants for verification of accuracy.

The final set of transcripts of over 100 pages formed the core for the analysis. As suggested by Silverman (2006), each response was first analyzed individually, and then studied as a whole in the context of the entire interview. The systematic exploration of the coded interview transcripts resulted in the identification of global themes that were grounded empirically in the data and well supported by evidence from the participant accounts.

Findings

Satisfaction and referral likelihood. The interview findings support past research on the role of satisfaction as a precursor of any spontaneous (Brown *et al.*, 2005; Buttle, 1998) or incentivized recommendation (Van Doorn *et al.*, 2010; Ryu and Feick, 2007; Wirtz *et al.*, 2013a). Virtually all respondents stated that satisfaction is a prerequisite for referral behavior (see the first quote below) and that incentives help motivate referrals and serve as an added bonus (see the second quote).

I recently signed up for a swimming lesson through a swimming school called [name of firm] and I am quite happy with the service. It was hassle free, quick, and the service was also friendly and they are very approachable, and I will definitely recommend it to my friends [and] family members who want to improve their swimming. (Student, male, 25)

For me, if the product is good, the reward is just an added bonus. I wouldn't do it [just] for the sake of the free gift. I must be satisfied before anything else. (Teacher, male, 55)

Online versus offline communication environments. The qualitative study was crucial in determining insights from a recommendation giver's perspective of online versus offline referrals. First, to understand the combined role of incentives and environment, respondents were asked if incentives would motivate them to engage in online as well as offline referrals. The majority of respondents agreed that the increased motivation in the presence of incentives would be the same in an online and offline setting as shown in the following quote:

I think in both cases the level of motivation will be the same. To me, if there is a reward, I'll use either online or face-to-face to make referrals. (Editorial consultant, male, 35)

Comparing the process of making a referral, respondents said offline referrals were more personal but required a large amount of effort and time to meet a small number of people (see the first quote below). For the online environment, a variety of responses centered on the theme of convenience, low effort and ease of use (see the second quote). Some respondents commented that they use the Internet and social media very often and make referrals via these channels because the people they communicate with are always online, which makes them easily accessible (see the third quote).

Face-to-face is more personal. There is a personal touch and of course, they can understand my body language and the way I express myself. So, in person has that quality, but you have to make the effort to meet. (Homemaker, female, 47)

Online is definitely easier to use. I need to type just one email I can send to many people. This makes it convenient for me. (Teacher, female, 52)

The whole world is on Facebook. Everyone I know, all my friends, family, people at work are on my Facebook network. If I want to tell them anything [including a recommendation], I just go to Facebook and type a message. (Editorial consultant, male, 35)

In the offline setting, studies have indicated that people are more inclined to convey WOM and referrals to strong rather than to weak-tie relations because of the underlying trust that characterizes strong ties (Nelson, 1989; Frenzen and Nakamoto, 1993). Our qualitative study provided insights on how tie-strength interacts with online referrals. Not surprisingly, many of the respondents make referrals in person when dealing with strong-tie relations as illustrated by the following quote:

Definitely face-to-face because I am more likely to meet my family or close friend in person. I see some of them every day, so definitely it will be a face-to-face recommendation. (Teacher, female, 24)

In contrast, when respondents were asked to choose which communication medium they would use to make referrals to weak-tie relations, online platforms emerged as the clear choice. Not meeting weak ties in person so frequently prompted respondents to choose the online medium because they felt it was an easily available method of communication as exemplified in the following quote.

Definitely online because it's a casual acquaintance. I am unlikely to meet the person face-to-face on a regular basis, so I am more likely to make the recommendation online. (Teacher, female, 24)

Metaperception. Respondents were first asked about how they thought others might view an unincentivized referral. Most respondents thought of being seen as helpful and knowledgeable as illustrated by the following quote:

When I make recommendations, my friends will probably think that I do have ideas of where to go, I'm probably knowledgeable and have plenty of ideas. (Student, male, 23)

When incentives were introduced into the picture, respondents raised the issues of credibility and lack of trust (see the first quote below). Especially for weak ties, interviewees felt that there would be a cloud of suspicion around an incentivized recommendation (see the second quote). However, these negative effects were mitigated when strong ties were involved. Here, interviewees felt that close friends would perceive them as having their best interest at heart and that there was trust (see the third quote).

In fact, some people might not even believe me just because I am getting some reward. I'm sure they will think I am telling them about the product because I want the reward. (Bank officer, male, 37)

I think [for] casual acquaintance you have to be very careful about it [making an incentivized referral] because they won't know you very well and they might think that you are motivated by the incentive [and] that's why you are recommending this product or this event [service]. (Teacher, female, 52)

There is no issue because my friends know me and they know that if I am going to recommend something it really doesn't matter whether I have a vested interest in it or not. I think my friends know me well enough to know that when I make a recommendation, I make it with them in mind and not anything else impacting my choices. They will trust me because we have a close relationship. (Editorial consultant, male, 35)

Next, respondents were asked if they felt the negative outcomes they mentioned would change if the referral was done online instead of face-to-face. Interviewees felt that the negative outcome of being worried about appearing untrustworthy in the eyes of weak-tie relations would be reduced or even eliminated if they made the referral online. The computer screen seems to serve as a form of protection and not having to deal with the negative facial reactions seems important in making recommendation givers feel more secure when making referrals online (see first and second quote below).

Furthermore, some respondents agreed that in an online setting, they could make their referrals to weak ties more credible, by adding website links and other information (see the third quote). Others felt that online referrals were less intrusive because they could be easily deleted or ignored. In particular, casual acquaintances were believed to consider a referral as just another offer which people get online frequently (see the fourth quote). Collectively, these responses suggest that impression management concerns, which are potentially acute with weak ties, would be reduced in an online setting, leading to a less negative metaperception of incentivized referrals.

I think I will be more concerned about the negative outcomes in a face-to-face setting because obviously we are talking to somebody face-to-face and you can see their facial expression and know how open or accepting they are to your recommendation. Whereas [in an] online setting, you just reach out to anybody and everybody. I don't really have to worry about their perception of me because either you really can't see anything or you don't know what they are feeling. (Headhunter, female, 31)

Yup, I think it would change [negative outcomes] because, for online communications, I wouldn't really bother about what my casual acquaintances think of me, whether I recommend those places because of benefits or any rewards. I don't lose face because they cannot see me. (Student, male, 23)

I can give them web links where they can find out more information. I think that I can put up [a] more convincing recommendation online rather than in a face-to-face situation. (Editorial consultant, male, 35)

The referral might not really suit with [the] other party. You might be willing to spend the energy but the other person might not want to listen to what you want to say. If it's online, it is just a matter of few clicks [. . .] it's less intrusive online. (Student, male, 25)

Summary of Study 1 findings

Taken together, the results of Study 1 corroborate our research hypotheses and provide the following key insights: First, respondents tend to engage in recommendation behavior offline more with strong ties and online more with weak ties. Second, the strong-tie advantage of offline communication does not seem to apply online; because of the ease of online communication weak ties can also be reached effectively. Third, metaperception concerns affect referral behavior online as well as offline when incentives are involved, but at different levels of intensity. That is, metaperception seems to be more of a concern for offline than online referrals. Fourth, metaperception concerns tend to be low in strong-tie relationships independent of the communication environment. For weak ties, however, metaperception concerns differ dramatically online and offline, whereby they are low to medium online but high offline.

Study 2: experiment set in a bookstore context

Study 1 offered rich insights into the hypothesized relations which were then tested empirically in Study 2.

Method

Study 2 used a 2 (incentive versus no incentive) \times 2 (weak-tie versus strong-tie) \times 2 (offline versus online) between subject factorial design. Hypothetical scenarios were used to establish a similar context for each respondent, reduce random noise and thereby increase the internal validity and statistical power (Shadish *et al.*, 2002).

Respondents. An effort was made to reach as wide a cross-section of the population as possible, and potential respondents were approached in different residential areas and office buildings in Singapore using a cover letter from a leading local university. One hundred ninety-two potential respondents agreed to be interviewed. Three questionnaires were discarded due to incomplete responses, leaving 189 questionnaires for the analysis. The sample consisted of 55 per cent females, and 48 per cent were between 21 and 40 years. In total, 57 per cent of the sample had completed a college or a post graduate degree.

Manipulations. A bookstore scenario was selected as the research context as it provides a realistic shopping experience that commonly occurs. It is plausible that a bookstore offers discounts to attract new customers allowing the incentive condition to be realistically presented in the study. Study 1 and past research (Van Doorn *et al.*, 2010; Ryu and Feick, 2007; Wirtz *et al.*, 2013a) show that satisfaction is a necessary precursor before any referral can take place. Hence, a high satisfaction scenario was developed which read:

You were extremely happy with the service of the staff as they were courteous, friendly and well-trained. The books were also reasonably priced. Overall, you were exceedingly delighted and decided to visit the bookstore again to make future purchases.

Incentives were operationalized at two levels (no incentive/discount vs 30 per cent discount off the next purchase). This reward type was chosen as many firms offer rewards in the form of discounts. For the incentivized conditions, the scenario read as follows:

After paying for the book, the cashier introduced you to the bookstore's "Recommend-a-Friend" program. You would be given a personalized code. If the person you recommend buys a book from the bookstore and gives the cashier your code, a 30% discount for your next book purchase will be credited to you.

For the no incentive condition, there was no reference to the RRP in the questionnaire.

The communication environment was manipulated at two levels, offline and online. The offline setting was presented as a face-to-face meeting between the recommender and the

recipient, while the online setting was presented as an online chat. These two environments were chosen as they allowed recommenders to give rich referral descriptions. In addition, both conditions envisage a simultaneous conversation between the giver and the recipient, which makes the two communication environments comparable.

The tie-strength manipulation was adapted from past research (Frenzen and Nakamoto, 1993; Wirtz *et al.*, 2013a). In the strong-tie condition, participants were told that they were making recommendations to a close friend. In the weak-tie condition, the recipient was a casual acquaintance. The strong-tie offline (online) scenario read as follows: “The next day, you happened to have a lunch appointment (to be chatting online) with a very close friend.” The weak-tie offline (online) scenario read: “The next day, you happened to have a lunch appointment (to be chatting online) with a casual acquaintance (i.e. someone you do not know very well).”

Pretesting. Two pretests were carried out (Pretests A and B) to ensure respondents could identify with the scenarios presented and perceived them to be realistic. In Pretest A, Lewis and Rieman’s (1993) think aloud protocol method was used to ensure that respondents are able to understand the scenario and questions. Respondents could accurately identify with the scenario and were able to understand the difference between making the recommendation online and offline.

Pretest B was conducted to examine scenario realism and to ensure that the incentive sizes were perceived as intended. Forty participants of varied demographic background were recruited and randomly assigned to the eight experimental conditions. Mean realism for all experimental cells ranged from 5.33 to 5.67 on a seven-point scale, significantly above the scale midpoint ($p < 0.01$), demonstrating that scenarios were perceived as realistic. A three-item seven-point bipolar scale was used to measure satisfaction (Oliver and Swan, 1989). The mean score for satisfaction was 5.29, which was significantly above the scale midpoint ($t = 15.28$, $df = 39$, $p < 0.01$). The results indicating that the scenario elicited the intended high satisfaction level.

The manipulation of incentive size was also checked for the two incentive levels. On a seven-point scale, respondents were asked to indicate how large the incentive was (1 = no incentive, 7 = very large incentive). The means were 1.40 and 5.20 for the non-incentivized and the incentivized condition, respectively ($t = 11.71$, $df = 30$, $p < 0.01$).

Measures. All measures consisted of multi-item seven-point Likert type scales ranging from 1 (strongly disagree) to 7 (strongly agree). Customers’ behavioral manifestation of engagement was measured through referral likelihood on a four-item scale adapted from Singh (1988) and Wirtz *et al.* (2013a), and derived from comments made by respondents in the qualitative interviews. The measure of metaperception was drawn from previous research (Wirtz *et al.*, 2013a). The scales and their descriptive statistics, Cronbach’s alphas and correlation coefficients are shown in Table I.

Experimental procedure. Respondents were randomly allocated to the eight experimental conditions. The bookstore scenario was presented, which described one of the eight experimental conditions manipulated by incentives, tie-strength, and communication environment. Respondents were instructed to read the scenario carefully and imagine themselves in that situation. After they had finished reading the scenario, respondents answered four questions about their likelihood to engage in a referral, and six questions about the metaperception of the referral. To avoid demand effects, the tie-strength manipulation check was presented at the end before the demographics.

Manipulation check. A tie-strength manipulation check was conducted using a four-item scale adapted from Frenzen and Nakamoto (1993). Respondents were asked to indicate their level of intimacy, association, support and closeness with the friend described in the scenario.

Table I.
Cronbach's alpha,
descriptive statistics
and correlations

Variables	α	M(SD)	Correlations		
			1	2	3
Referral Likelihood	0.97	4.11 (1.84)			
I am likely to recommend the bookstore to him/her					
I am likely to encourage him/her to patronize the bookstore					
I am likely to be excited when recommending the bookstore to him/her					
Metaperception	0.98	4.81 (1.74)	0.53**		
He/she will think that my recommendation is dependable					
He/she will think that my recommendation is trustworthy					
He/she will think that my recommendation is credible					
He/she will think that my recommendation is good					
He/she will think that my recommendation is selfish					
He/she will think that my recommendation is motivated by money					
Tie-strength (manipulation check)	0.92	3.95 (1.59)	0.53**	0.85**	
He/she is someone whom I would gladly spend free time socializing with					
He/she is someone whom I am willing to share personal confidences with					
He/she is someone whom I would be likely to perform a large favor for					
He/she is someone whom I am close to					

Note: ** $p < 0.01$

The result of a t -test indicated a significant difference between the two conditions ($t = 41.82$, $df = 187$, $p < 0.01$); strong ties ($M = 5.48$) were rated higher than weak ties ($M = 2.47$).

Hypothesis testing

$H1$ predicted that metaperception would mediate the effect of incentive on referral likelihood. $H2$ and $H3$ predicted that the relationships between incentive, metaperception and referral likelihood would be moderated by the communication environment. The hypotheses were examined using multi-group structural equation modeling (SEM) as the hypotheses involve both mediating and moderating effects, and the moderator is a dichotomous variable (Muller *et al.*, 2005). The significance of the mediation effect was tested using bootstrap bias corrected confidence intervals (CIs) with the number of bootstrapping set to 5,000 (Preacher and Hayes, 2008).

Online versus offline communication environment. We examined the extent to which the structural relationships in the research model (Figure 1) vary across communication environments by testing model invariance between online versus offline environments. First, a restricted mediation model was examined in which the factor loadings and path coefficients were held equal across groups (i.e. online versus offline). Next, an unrestricted model was examined, allowing the factors loadings and path coefficients to be freely estimated across groups. A chi-square difference test was conducted to determine if the unrestricted model assuming model non-invariance across groups fits the data better than the restricted model assuming model invariance.

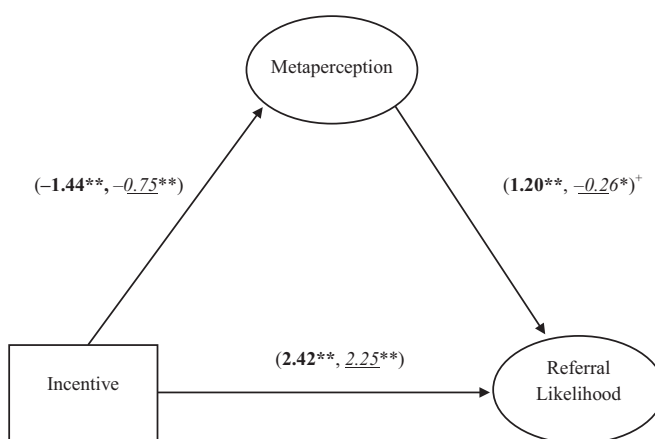
The results showed that the unrestricted model has a significantly better fit ($\chi^2 [84] = 100.2$; RMSEA = 0.03; CFI = 0.99; IFI = 0.99; SRMR = 0.01) than the restricted model ($\chi^2 [94] = 359.5$, RMSEA = 0.12, CFI = 0.92, IFI = 0.92, SRMR = 0.05). The chi-square difference between the two models is significant ($\Delta\chi^2 [10] = 259.2$, $p < 0.001$), indicating that the research model presented in Figure 1 is not equivalent across online and offline

groups. In other words, the relationships between constructs in our research model vary across online and offline conditions. Hence, the following section describes the results of an unrestricted mediation model.

Figure 2 shows the multi-group mediation model with the unstandardized path coefficients for online and offline groups. All items of the latent variables have factor loadings higher than 0.80 ($p < 0.001$), thus affirming the construct validity of the measurement model.

In an *offline environment*, incentive had a positive direct effect on referral likelihood ($B = 2.42, p < 0.001$). Incentive also had an indirect effect on referral likelihood via metaperception such that incentive was negatively associated with metaperception ($B = -1.44, p < 0.001$), which in turn, is positively associated with referral likelihood ($B = 1.20, p < 0.001$). The indirect effect via metaperception was significant based on the bootstrap 95 per cent CI (indirect association = -1.73 ; 95 per cent CI = $-2.70, -0.82$). As *H1* predicted, metaperception played a mediating role by suppressing the effect of incentive on referral likelihood. The results are similar to the inconsistent mediation effect or suppression effect (MacKinnon *et al.*, 2007; Rucker *et al.*, 2011) in that the negative indirect effect mediated by metaperception canceled out the positive effect of incentive on referral likelihood (direct effect = $2.42, p < 0.001$), leading the total effect to appear to be non-significant by its omission (total effect = $0.70, p = 0.13$)[1].

In an *online environment*, incentive was also negatively associated with metaperception ($B = -0.75, p < 0.001$), which, in turn, was negatively associated with referral likelihood



Goodness of Fit	χ^2 (d.f.)	χ^2 /d.f.	NFI	CFI	TLI	AGFI	SRMR	RMSEA
	100.2 (84)	1.19	0.97	0.99	0.99	0.87	0.01	0.03

Notes: * $p < 0.01$; ** $p < 0.001$. +indicates that the path is significantly different for offline and online groups ($p < 0.01$). Unstandardized estimates are listed first for the offline group (in bold font face), followed by the online group (in italics, underlined font face)

Figure 2.
Multi-group
mediation model

($B = -0.26, p < 0.01$). The indirect effect of incentive on referral likelihood via metaperception was significant (indirect association = 0.19; 95 per cent, CI = 0.07, 0.36). The direct effect ($B = 2.25, p < 0.001$) and the total effect ($B = 2.45, p < 0.001$) were also significant. In conclusion, the results show that metaperception mediated the effect of incentive on referral likelihood in both online and offline environments, supporting *H1*.

H2 and *H3* predicted that communication environment would moderate the relationship between incentives, metaperception and referral likelihood. We conducted path invariance tests in order to examine the degree to which communication environment moderated each structural relationship presented in the research model. This was accomplished by first establishing a multi-group baseline model (i.e. unrestricted model) against which we compared subsequent models with equality constraints. The results summarized in [Table II](#) and [Figure 2](#) show that incentives had a stronger effect on metaperception in the offline ($B = -1.44, p < 0.001$) than in the online group ($B = -0.75, p < 0.01$). However, the difference in path coefficients was not significant ($\Delta\chi^2 [1] = 2.2, p > 0.05$), providing only directional support for *H2*.

Metaperception had a greater effect on referral likelihood in the offline ($B = 1.20, p < 0.001$) than in the online group ($B = -0.26, p < 0.01$), and the difference in path coefficients was significant ($\Delta\chi^2 [1] = 210.2, p < 0.01$). The remaining paths were unaffected by the communication environment. Hence, *H3* was supported. These findings suggest that respondents feel that incentives have an almost equally negative effect on metaperception in both online and offline environments (rejecting *H2*), but that the reduced favorability of metaperception has a less negative effect online than offline (supporting *H3*).

Tie-strength interactions. *H4* predicted that metaperception is affected by a three-way interaction between incentive, tie-strength and communication environment. Preliminary analyses showed that tie-strength and metaperception were highly associated with each other, causing a multicollinearity problem when they were entered together as a mediator or moderator in the SEM model. Therefore, we used a $2 \times 2 \times 2$ factorial ANOVA to test for this three-way interaction effect. All main and interaction effects were significant ([Table III](#)), including the expected three-way interaction ($F = 50.9, df = 1; 181, p < 0.001$), providing support for *H4*.

To facilitate a direct test of *H4* and an easier interpretation of the complex three-way interaction, patterns of interaction effects were analyzed by breaking the three-way interaction down to its two constituent two-way interactions for weak and strong ties, respectively.

H4a predicted that for *weak ties*, the negative effect of incentive on metaperception would be greater offline than online. The ANOVA results showed significant main effects for incentive ($F = 478.8, df = 1; 92, p < 0.001$) and communication environment ($F = 219.3, df = 1; 92, p < 0.001$), and the expected two-way interaction between incentive and communication environment was also significant ($F = 83.4, df = 1; 92, p < 0.001$).

The two thin lines in [Figure 3](#) show the two-way interaction for weak ties. Post hoc pairwise comparisons were made using a simple main effects analysis with the Sidak adjustment for multiple comparisons. The results showed that, when a referral was made between weak-tie dyads, incentive had a significant negative effect on

Table II.
Chi-square tests for path invariance between offline and online groups

Model description	χ^2	$\Delta\chi^2$	Significance with 1 d.f.
Base model (Unconstrained model)	100.2		
Path on Incentive to metaperception constrained	102.4	2.2	n.s.
Path on metaperception to referral likelihood constrained	310.4	210.2	$p < 0.01$
Path on incentive to referral likelihood constrained	100.9	0.7	n.s.

Table III.
ANOVA results on
metaperception and
referral likelihood

Variables	df	Metaperception <i>F</i>	<i>p</i>
Incentive (I)	1;181	545.0	0.001
Communication environment (E)	1;181	179.8	0.001
Tie strength (T)	1;181	4,439.2	0.001
I * E	1;181	63.6	0.001
I * T	1;181	165.3	0.001
E * T	1;181	123.0	0.001
I * E * T	1;181	50.9	0.001
Referral likelihood			
Incentive (I)	1;181	948.1	0.001
Communication environment (E)	1;181	336.8	0.001
Tie strength (T)	1;181	1,670.2	0.001
I * E	1;181	269.9	0.001
I * T	1;181	4.2	0.04
E * T	1;181	2,776.8	0.001
I * E * T	1;181	185.9	0.001

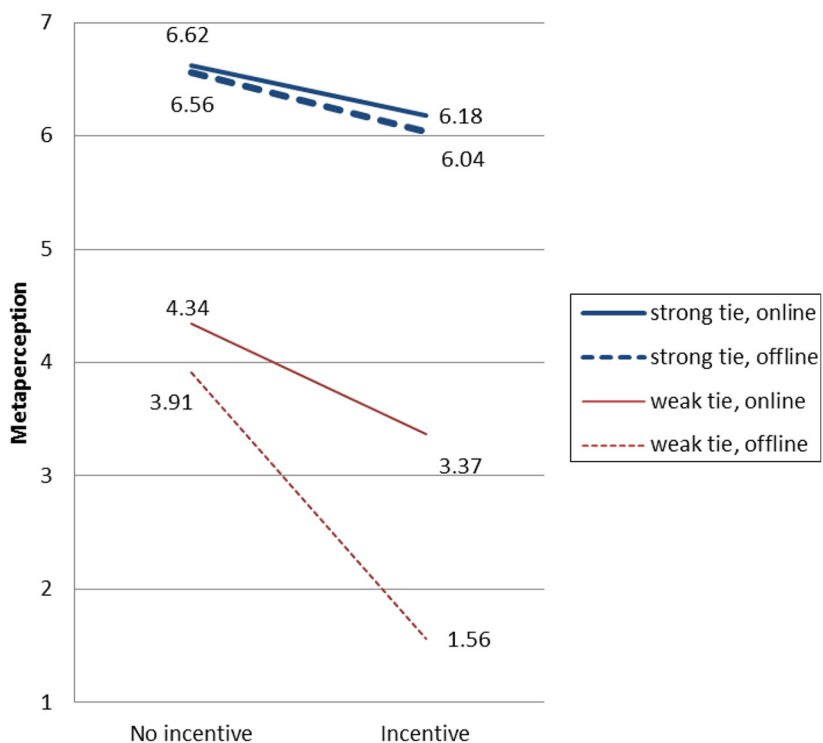


Figure 3.
Three-way
interaction of
incentives, tie-
strength and
communication
environment on
metaperception

metaperception both online ($F = 83.0, df = 1; 92, p < 0.001$) and offline ($F = 471.2, df = 1; 92, p < 0.001$), but importantly and as hypothesized, the magnitude of change was lower online ($\Delta M_{no\ incentive/incentive} = 0.97, SE = 0.11$; see Table IV for the estimated marginal means) than offline ($\Delta M_{no\ incentive/incentive} = 2.35, SE = 0.11$). The significant two-way interaction combined with the analysis of means supports *H4a*.

H4b predicted that for *strong ties*, the communication environment would have a smaller moderating effect on metaperception than for weak ties because of the mutual trust and closeness in strong-tie relations. The results of a 2×2 ANOVA showed significant main effects for incentive ($F = 90.8, df = 1, 89, p < 0.001$) and communication environment ($F = 4.4, df = 1, 89, p < 0.05$), and consistent with *H4b*, the two-way interaction did not reach significance ($F = 0.6, df = 1, 89, p = 0.45$).

The results of a simple main effects analysis with Sidak adjustment showed that incentive levels had a significant negative effect on metaperception both online ($F = 37.99, df = 1, 89, p < 0.001$) and offline ($F = 53.6, df = 1, 89, p < 0.001$). However, unlike for weak ties, the effects were similar online ($\Delta M_{no\ incentive/incentive} = 0.44, SE = 0.07, p < 0.001$) and offline ($\Delta M_{no\ incentive/incentive} = 0.52, SE = 0.07, p < 0.001$), and the incentive-induced drop in favorability of metaperception was relatively low [offline: 0.44; online: 0.55] compared to that in the weak-tie condition (offline: 0.97; online 2.35). The insignificant two-way interaction combined with the means analysis supports *H4b*.

Referral likelihood. Effects from incentives to referral likelihood can be positive, neutral or negative, depending on the relative strength of its positive direct effect and its negative indirect effect via metaperception, and the interactions with tie-strength. This study is concerned with hypothesis testing regarding the mediating and moderating effects in our model and not on the empirical net effects on referral likelihood. Nevertheless, we found the net effects on referral likelihood interesting (Figure 4) and explored them further using a three-way ANOVA (Table III). As for metaperception, all main and interaction effects were significant, including the three-way interaction between incentive, tie-strength and communication environment ($F = 185.9, df = 1; 181, p < 0.001$).

Exploring the means (Figure 4 and Table IV), an incentive significantly boosted referral likelihood for strong ties, independent whether communication was online ($\Delta M_{no\ incentive/incentive} = 1.47, SE = 0.09, p < 0.001$) or offline ($\Delta M_{no\ incentive/incentive} = 1.21, SE = 0.09, p < 0.001$). In contrast, incentives increased referrals to weak ties only in an online environment ($\Delta M_{no\ incentive/incentive} = 2.93, SE = 0.09, p < 0.001$) but not offline ($\Delta M_{no\ incentive/incentive} = 0.13, SE = 0.09, p = 0.17$). These findings match the qualitative interviews of Study 1 where respondents expressed metaperception concerns only for incentivized face-to-face referrals to weak ties, but were less concerned when making such referrals online.

Table IV.
Estimated marginal means for metaperception and referral likelihood

Incentive	Tie-strength	Communication environment	Metaperception Mean (SE)	Referral likelihood Mean (SE)
No	Strong	Offline	6.56 (0.06)	5.27 (0.07)
		Online	6.62 (0.07)	3.54 (0.07)
	Weak	Offline	3.91 (0.06)	1.46 (0.07)
		Online	4.34 (0.06)	3.37 (0.07)
Yes	Strong	Offline	6.04 (0.07)	6.48 (0.07)
		Online	6.18 (0.07)	5.01 (0.07)
	Weak	Offline	1.56 (0.07)	1.59 (0.07)
		Online	3.37 (0.06)	6.29 (0.06)

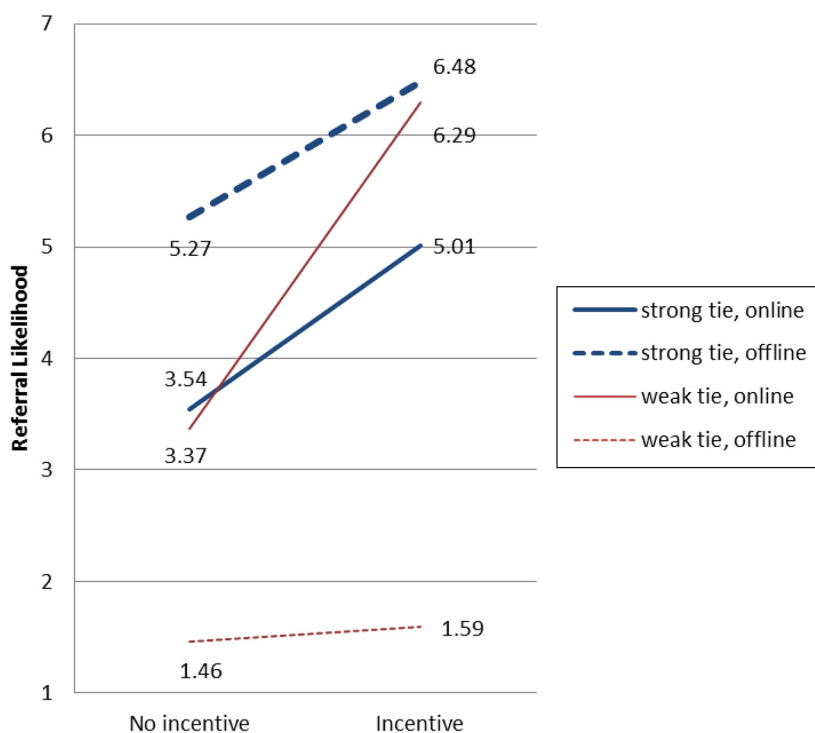


Figure 4.
Three-way
interaction of
incentives, tie-
strength and
communication
environment on
referral likelihood

Finally, it is interesting to note that referrals, in general, are more likely to be made offline to strong ties, whereas online is consistently more effective for weak ties. Again, this finding matches the conclusions from our qualitative interviews where respondents felt they rather speak to strong ties as they meet them often, whereas online was a much more convenient mode of communication with less frequently met weak ties.

Discussion and implications

The growing interest regarding customer's level of engagement in specific brand interactions and the resurgence in marketing efforts designed to take advantage of customers' social networks – both offline and online – has led to a renewed attention towards customer WOM and referrals. Despite this renewed attention, most conceptualizations of customer engagement do not differentiate between organic WOM and incentivized referrals (with the notable exception of [Kumar et al., 2010](#)) and between offline and online referrals. Our study is the first to focus on customers turning prospects into customers through a formal incentivized referral program, and to investigate how incentivized referral behavior might differ in online versus offline communication environments.

Theoretical implications

While there is an abundance of studies pertaining to how customers might contribute to a firm's value through WOM, there is less research that specifically deals with incentivized

customer referral behavior. The few studies on RRP tend to be set in face-to-face environments (Orsingher and Wirtz, 2018; Ryu and Feick, 2007; Verlegh *et al.*, 2013; Wirtz and Chew, 2002; Wirtz *et al.*, 2013a). With the growing importance of online platforms as a communication and marketing tool, this study seeks to understand how customer engagement initiatives such as RRP affect referral behavior in online and offline contexts. The findings of our qualitative and experimental studies show that the role of metaperception and subsequent incentivized referral behavior differ in offline versus online RRP contexts in a number of important ways as discussed next.

Metaperception. First, our study confirms the relevance of metaperception as an important mediating variable between incentives and referral behavior both offline and online, even if at different levels of intensity.

Second, we show that metaperception has a stronger effect on referral behavior offline than online. That is, recommenders are more concerned about impression management in face-to-face interactions where they are able to read non-verbal cues from their interlocutors (e.g. facial expressions and tone-of-voice). This makes them more aware and concerned about metaperception and interpersonal evaluations than they are online where they can “hide” behind a screen and cannot see and evaluate recipients’ non-verbal cues (Tanis and Postmes, 2003; Vorauer and Miller, 1997). That is, our study confirms that predictions based on the CMC literature (Krämer and Winter, 2008; Tanis and Postmes, 2003) also apply to a customer engagement initiative such as RRP. It also corroborates the idea that consumer engagement represents a highly context-dependent, motivational state that takes into account the perceived utility value and interest (i.e. receiving the incentive) and the level of perceived risk (i.e. being seen as opportunistic) (Brodie *et al.*, 2013).

Third, we find that tie-strength plays an important role in qualifying the combined effect of incentive and communication environment on metaperception. That is, for strong ties the incentive-induced drop in favorability of metaperception is low (albeit significant) and independent of communication environment because of the trust built up over time between the two parties. Strong-tie relationships (such as close friends or immediate family members) are unlikely to change their metaperception much because of a referral reward as perceptions have been built up over a longer period of time and are relatively stable (Orsingher and Wirtz, 2018; Wirtz *et al.*, 2013a; Wirtz and Chew, 2002).

For weak ties, however, the drop in metaperception favorability differs dramatically between online and offline environments, whereby an incentive-induced drop is significantly higher offline than online. As weak ties lack the mutual trust and the closeness of strong ties, there is a higher propensity of recommenders to worry about the recipients’ perceptions of incentivized recommendations (Verlegh *et al.*, 2013). Our findings show that recommenders’ fear of losing credibility or appearing untrustworthy is attenuated in the online environment. Here, the physical and social distance provided by the communication medium (Suler, 2004) mitigates the negative self-perception that recommendation gives project onto the assumed opinion of the recipients. The findings of our qualitative study support this interpretation of our empirical results.

Incentivized referral behavior. The net-effect of the positive direct effect of incentives on referral likelihood and their indirect negative effect via metaperception resulted in interesting empirical findings. Specifically, as Figure 4 shows, incentives significantly boosted referral likelihood for strong ties, independent whether the communication was online or offline. In contrast, incentives increased referrals to weak ties online, but not offline. That is, in an offline environment the negative indirect effect of incentives via metaperception canceled out the positive direct effect of incentives on referral likelihood.

Online, incentives had a positive total effect on referral likelihood even for weak ties. Past research has shown the positive direct and negative indirect effect of incentives on referral behaviors (Orsingher and Wirtz, 2018; Wirtz *et al.*, 2013a), and we confirm that these conflicting effects also hold in an online context, even if, as discussed in the previous section, metaperception itself is heavily influenced by the communications environment.

Managerial implications

Our study has a number of important implications for managers wishing to increase customers' resource contribution to the firm's acquisition of new customers through RRP. First, our qualitative study highlights that satisfaction is a prerequisite for generating referrals through RRP. Although this finding is not new in satisfaction research, it is worth reminding managers that customer satisfaction is a necessary, albeit not sufficient condition for customers to engage in recommendation behavior (Van Doorn *et al.*, 2010) and that an attractive referral scheme is unlikely to compensate for poor service or an inferior product.

Our findings parallel past research conducted in offline contexts (Orsingher and Wirtz, 2018; Wirtz *et al.*, 2013a) in that incentives can have a positive, neutral and even a negative effect on referral likelihood depending on the relative strengths of the negative indirect effect of incentive on referral likelihood via metaperception, and the positive direct effect of the perceived attractiveness of the incentive on referral likelihood. Our study extends these findings in two ways. One, it shows a differential effect of metaperception on referrals in online and offline environments, and two, it confirmed a combined effect of incentives, environment, and tie-strength on metaperception. Understanding these underlying processes points towards a number of ways for firms to make their RRP more effective.

First, it is more important for recommenders to look good offline than online because they care more intensely about managing their impression in person-to-person situations. In response, firms need to pay particular attention to metaperception concern and how it could potentially be reduced when designing offline RRP, especially so for weak ties. For example, metaperception concerns can be reduced by number of ways, including using vouchers for the firm's products rather than cash incentives of an equivalent value (Jin and Huang, 2013), offering symbolic and soft incentives (e.g. access to special features or events, perhaps as part of the firm's loyalty program) rather than vouchers or cash (Verlegh *et al.*, 2013), sharing the incentive between the recommendation giver and recipient (Jin and Huang, 2013; Ryu and Feick, 2007) and using incentives that are attractive to the recommender (e.g. an invitation to a special event) but that do not have a (high) face value (Orsingher and Wirtz, 2018).

Second, for strong ties, the presence of incentives decreased metaperception only marginally, and these effects were similar online and offline. As such, firms can confidently target strong ties with both online and offline RRP. For weak-tie relationships, however, incentives lowered the favorability of metaperception offline much more than online. Online, metaperception is less affected, and as the cost of communicating is low (e.g. forwarding an email, posting a recommendation on a blog; Wirtz *et al.*, 2013b), online RRP can reach even weak ties effectively.

We also suggest managers to conceive specific online RRP. Such programs should not be a simple adaptation of existing offline RRP to the online medium but should be developed for the different online media. For example, online RRP could use easy-to-forward messages and provide links to social network platforms and other online sources with supporting information about the offer, product, its features and perhaps the firm (Wirtz *et al.*, 2013b). The respondents in our qualitative study felt that with such additional information the credibility of their referrals could be enhanced and metaperception concerns reduced.

Finally, our findings suggest that firms have to be careful when using RRP in contexts where customers have high positive impression management needs and related metaperception concerns (Orsingher and Wirtz, 2018; Wirtz *et al.*, 2013a). To illustrate, the manager of an MBA program suggested giving a high-end fountain pen to every alumnus and alumna who successfully recommended a potential candidate who was subsequently admitted to the program. The MBA advisory board was up in arms over this proposal. They were unanimous in stating that they wanted to help the program, were not in this for any kind of benefit, would recommend the program already anyway, and importantly, would definitely not want to be seen as benefiting in any way from doing so. They expressed strong metaperception concerns that would have rendered this RRP ineffective. In such contexts, it may be better for firms to emphasize other benefits of providing WOM and making recommendation, such as helping a cause (e.g. their alma mater), social bonding (e.g. doing something good for a friend), and satisfying the need for self-enhancement (e.g. being seen as competent and knowledgeable) (Alexandrov *et al.*, 2013).

Taken together, our findings suggest that firms wishing to develop customer engagement initiatives through RRP should:

- design both online and offline RRP in a way that minimize metaperception concerns;
- target strong ties in any communication environment as metaperception concerns are low; and
- target weak ties online where metaperception concerns are muted.

Limitations and future research

Despite the interesting findings of this study, there are a number of limitations that need to be mentioned and which can offer avenues for further research. First, our study focused on an online versus offline dyadic communication and did not consider if the online communication occurred within a social medium. For example, people use Facebook mainly to stay in contact with their strong and medium ties (like friends, relatives or work colleagues), and LinkedIn for professional and career-related contacts, whereas Twitter is often used to communicate with weak ties or total strangers. Our study has shown that metaperception matters less when recommendations are made to strong ties and when they are made online to weak ties. Future research could examine how incentivized recommendation work on different social media, and influence metaperception and recommend behavior so to find the best combination of communication platforms for a firm's RRP.

Second, the degree of the tie-strength between the recommender and the recipient also deserves additional examination. Presumably, if we extended the tie-strength metaperception relationship from strong (ties such as spouse and close family members) to very weak or even no ties (e.g. in an anonymous online environment), an inverse U-shaped relationship with metaperception may appear (Wirtz *et al.*, 2013a). Metaperception does not intervene (much) in close relationships because people believe that others trust them and will not change their perceptions about them because of an incentivized referral. Likewise, but for the opposite reason, metaperception may not matter much in a completely anonymous environment because people may care little about what recommendation recipients think about them as they do not know them, and their perceptions of them may have no future consequences. People seem to be more concerned about the impression they create with medium ties (e.g. a colleague or acquaintance) – because they do not know us

well enough, so their perceptions can be moved by an impression of relatively minor behaviors, while at the same time, people can care intensely about what medium ties think about them.

Third, we analyzed how incentives reduced the favorability of metaperception and compared this effect offline and online. However, we acknowledge that there are other forms of positive metaperception that were uncovered in the qualitative study, like being seen as helpful or knowledgeable. Future research could be done to identify if and how these positive attributes could be increased in an incentivized referral context. For example, one could explore if it is possible for a recommender to think others see him as more helpful or knowledgeable online as a lot more useful information and other resources could be offered here compared to offline communications. Testing the impact of value-added information and resources on metaperception would be of high relevance for firms as they could design their RRP accordingly.

Fourth, empirical work has shown that RRP in the market attract more profitable and more loyal new customers than other marketing channels (Schmitt *et al.*, 2011) and that participating in an RRP increases the spending and loyalty of recommending customers (Garnefeld *et al.*, 2013; Ramaseshan *et al.*, 2017). These studies are based on large-scale CRM data, and given the findings in our study and other consumer psychology research (Jin and Huang, 2013; Ryu and Feick, 2007; Wirtz *et al.*, 2013a) it seems plausible that RRP in the market attract predominantly strong-tie dyads. This question deserves deeper exploration, and if true, future research can help in designing RRP that also target weak-tie relations more effectively to improve the cost-effectiveness of customer acquisition (Wirtz and Zeithaml, 2018).

In conclusion, this study has examined how customers' psychological reactions to an engagement activity, that is, incentivized referral behavior, are affected by the communication environment. We hope our findings provide directions for further research into the psychological processes that underlie a customer's willingness to contribute to an organization's marketing performance.

Note

1. As suggested by others (Hayes, 2009; MacKinnon *et al.*, 2000), we assume that the requirement for a significant total effect prior to examining indirect effects be abandoned. This is particularly valid when a mediator plays a suppressing role by weakening the effect of X on Y by its omission (Rucker *et al.*, 2011).

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