

MARKETING COLLOQUIA

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Where: 741 JMHH

When: 3:00 PM to 4:20 PM

MANAGING BUZZ

ABSTRACT: We model the incentives of individuals to engage in word of mouth (or buzz) about a product, and how a firm may strategically influence this process through its information release and advertising strategies. In the model individuals are privately motivated by a desire to signal their type to others. Individuals are either a high or a low type, and during social interactions it is valuable for any individual to increase another person's posterior belief that she is a high type. We find that a firm will restrict access to information by low types at the information release stage. We also find that advertising may crowd out the incentives for consumers to engage in word of mouth, and that a firm can benefit from a credible commitment not to engage in advertising. Finally, we find that the ability by the firm to target advertising to well-connected consumers may be detrimental to the signaling value of word of mouth. Our model provides new insights into the tradeoff a firm may face between spreading information quickly versus maximizing the total spread of information about the product.