Not all comments are created equal: The impact of business managers’ response to negative online reviews

Online feedback mechanisms have become increasingly important to companies’ bottom lines, as more and more consumers rely on online reviews to evaluate product or service quality before making purchase decisions. However, it is almost certain that at some point some consumers will write negative reviews for a company, irrespective of praise from other consumers. Most of the extant literature on online reviews is focused on how the valence of online reviews affects consumers’ purchase intentions. However, many online review platforms allow companies to respond to consumer reviews and there has been virtually no attention paid to the topic of online business responses. This current study aims to investigate how managers’ responses to customer reviews and in particular to negative reviews affect subsequent ratings and reviews. It also shows how the effectiveness of the responses is moderated by situational factors such as reviewer characteristics, business characteristics, and engagement level.

Yelp.com review data were collected from two representative Midwestern cities: Chicago and Milwaukee. The data include business characteristics, reviewer characteristics, the actual consumer reviews, and the business responses to the reviews. Yelp.com is a website that allows users to review local businesses. Yelp allows reviews for a wide variety of products and services. Users can rate a business from 1 star to 5 stars. Business owners are able to comment on reviews directed towards their businesses. Yelp includes a variety of tools to build social engagement, including a social network, mixer events for highly engaged ‘Elite’ members, and the ability to add user content, such as photos and top-lists. We built a web crawler to automatically download review, review comment, service, and reviewer information from the Yelp.com website.
Text mining methods were used to perform exploratory analysis on both the reviews and the business responses. Sentiment analysis was utilized to test the polarity of the review comments. A series of regression models was built to test the effect of different types of management responses on future reviewer behavior.

We find that the effectiveness of managers’ responses is highest for customers who initially leave low ratings and this effectiveness is further strengthened by the popularity of the business and the tone of the management responses. We also find that businesses with mostly high ratings are more effective in reducing the negative effect of bad reviews than businesses with lower ratings. Furthermore, the business category and the reviewer experience all related to the effectiveness of the business response.

Our findings provide several managerial implications. First, providing good products and services has always been fundamental to the success of a business. A business with a high average review rating and more reviews enables managers to be more effective in reducing the impact of bad reviews. This is consistent with product harm study findings, in which companies with strong brands are able to recover more quickly from a crisis. Second, managers should be attentive in their replies. Our results indicated that the sentiment value of managers’ responses significantly mitigates the impact of a negative initial review. The higher the positive sentiment value of their reply, the better the response. Also, it is suggested that managers pay more attention to experienced reviewers, as these reviewers are not only more responsive to business replies, but are on average linked to a wider social network in the online review system. Their opinions have more impact on the perceptions of other reviewers.

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