Can Consumer Power Lead To Market Equalization On The Internet?

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ABSTRACT:
Consumers today are able to control many marketing communications and relationships as a result of the increasing digitalization in consumer markets. We are now re-discovering the nature of active consumer power in this new age of digital communication. Furthermore, such digitally empowered consumers can now easily generate and organize anti-consumption movements and change the dynamics of the consumption markets. However, there has not been enough investigation of how these consumer empowerment and market equalization processes work, or how they will likely change markets and society in both the near and long term future. Therefore this study proposes a new consumer power and market equalization model that can be investigated in two ways: (1) exit-based consumer power, and (2) voice-based consumer power. The study's findings reveal that both exit-based and voice-based consumer power enhanced the general power of consumers and lead to market equalization, resulting in consumers who feel that on the Internet they are on the same footing with companies.

KEYWORDS:
Consumer Power, Empowerment, Equalization, Market Equalization, Consumer Exit & Voice, and the Internet

Introduction

Prior to the inception of the Internet, companies either presumed that consumers were easy to control or denied the existence of consumer power because of a general consumer inability to practice their rights and power. However, this situation has changed as a result of the digital revolution. Clearly, changes in consumer power dynamics play a fundamental role in our evolving understanding of current and future markets. Thus, consumer power needs to be continually re-investigated in light of the changes in today's markets.

Power as a concept is attractive to many social science scholars, yet it remains a sophisticated and mysterious concept for many. Social scientists define power and its dimensions from various perspectives. Investigating and synthesizing such a wide range of power perspectives into an understanding of today's reality is a major challenge. In a simplistic version, power can be defined as “the ability to make someone or something do what you want them to, even when they do not want to” (Jordan 1999:10). On the other hand, if there is domination and pressure to change individual behaviours in a market it might eventually generate resistance in response to such dominance (Izberk-Bilgin 2010). In general, power, as a concept, is also directly related to both domination and inequalities in a society (Foucault 1983). The reason why many scholars are interested in the power concept
is because the concept sits at the heart of social equality-inequality paradigm as is well-described by Jordan (1999: p.15), as follows:

“We are often interested in power because it is the word we use to examine all sorts of inequalities and these should be our focus, not power itself as a theoretical concept but power as the term for whatever it is that generates inequalities and oppressions.” [Emphasis added]

Thus, discussion of the power concept in concert with the market equalization process is indispensable. From a marketing point of view, marketing power imbalances and inequalities between consumer and corporation communications plays a major role as de-facilitator of consumption. In other words, if there are wide-spread inequalities and power imbalances among market actors, they are more likely to value consumer liberation and emancipation actions from company-generated consumption meanings (Firat and Venkatesh 1995; Krishnamurthy and Kucuk 2009), consumer escapes from company dominated markets (Hirshman 1970; Kozinets 2002; Kucuk 2008b), and an increase in consumer anti-consumption movements in the markets (Kozinets and Handelman 2004; Kucuk 2008b; 2009b; Izbirk-Bilgin 2010). These consumer actions have gained more strength on the Internet because of the Internet’s inherently anti-hierarchical, non-censored, and technologically equalizing architecture (Kucuk and Krishnamurthy 2007; Kucuk 2008a; 2008b).

Consequently, this study is an attempt to understand the fundamentally changing market power dynamics and social transformations prompted by anti-consumption movements on the Internet. The study explores for answers to the following questions: How, and in which ways, are consumers feeling their power, or in which capacities do they dominate consumer-company relationships on the Internet? What could these power changes mean for consumers, companies and markets? Do consumers feel that these new power sources lead to market equalization with companies on the Internet? In addressing these questions this study is one of the first of its kind to attempt to fill this theoretical gap through an empirical examination.

**Consumer Power**

It can be said that consumer power was first discussed with President Kennedy’s consumerism conceptualization (Day and Aaker 1970). The power phenomena and consumer power were later discussed in the distribution channel literature (El-Ansary and Stern 1972; Gaski and Nevin 1985; Dwyer et al., 1987; Heide 1994; Ailawadi et al. 1995; Lusch and Brown 1996; Betancourt and Gautschi 1998; Ping 1993; Hibbard, Kumar and Stern 2001) — a second wave of discussion, where consumers were defined as the most powerful of the distribution channel members. However, this understanding did not focus on consumer protection-based power rather than on demand-based consumer power. In other words, the second wave emphasized consumer importance as a buyer or final purchase
decision maker and hence as a demand source rather than as individuals who should have specific rights and powers as market actors.

Later, consumer power was discussed and mentioned in consumer complaint literature — defined as the third wave in this study’s context (Hirschman 1970; 1986; Singh 1990; Keeley and Graham 1991; Singh and Wilkes 1996, Gregoire and Fisher 2006; 2008). It is assumed that if consumers complain by utilizing either exit or voice strategies (Hirshman 1970) they are indeed practicing their rights and power in consumer markets.

The last, or fourth wave, of consumer power discussions recently started gaining importance with the advent of the Internet (Wolfinbarger and Gilly 2001; Pitt et al. 2002; Urban 2004; Denegri-Knott et al. 2006; Rezabakhsh et al. 2006; Kucuk and Krishnamurthy 2007; Kucuk 2008a; Kucuk2008b; 2009; Krishnamurthy and Kucuk 2009; Gregoire, Tripp and Legoux 2009; Gregoire, Lauffer and Tripp 2010). The Internet has clearly empowered consumers in many ways, and it is argued that this fourth consumer power wave has had undeniable and fundamental impacts in digital markets at previously unforeseen levels (Kucuk and Krishnamurthy 2007). Thus, today, markets are re-discovering a new, exercisable, and active, consumer power in this digital age. In other words, the understanding of consumer power went from a passive and a symbolic application to an active and an exercisable representation of the concept with the Internet.

Such an experience of control and dominance has, in fact, enhanced the feeling of consumer satisfaction as well (Wathieu et al 2002; Hunter and Garnefeld 2008). However, empowered consumers might also make wrong choices/guesses about their future satisfaction levels (Kahneman 1994). Although consumer empowerment might enhance consumer satisfaction about the choices made in the short-run, it is possible to see no changes in the future satisfaction level of consumers. In this context, the question could be: does the consumer sense of satisfaction come from the empowerment provided to them in the decision-making process, or simply because they have better decision outcomes as a result of the empowerment? Thus, it is likely that the more control and power the consumer has the higher the levels of dissatisfaction and disappointment will get if the product/service does not work properly. This, in turn, could be one reason behind the increasing numbers of consumer complaints and disappointments, in addition to the effects of the increasing voice options on the Internet. In short, the reason behind the increase in online consumer complaints, as previously also discussed with the 4th wave of consumer power, might be (1) increasing consumer capabilities to voice their complaints on the Internet; (2) over-empowerment provided by the Internet facilitates higher disappointments. Therefore, there is a need for consumer empowerment management perspectives to be able to manage consumer disappointment on the Internet. Consequently, there is an urgent need to understand such consumer empowerment process in order to be able to reach a more balanced and healthy consumer-company relationship from a macro-marketing point of view.

In this context consumer power on the Internet can be discussed as two major components by spring-boarding Hirschman’s (1970) famous Exit, Voice and Loyalty conceptualization: exit-based and voice-based consumer power (Kucuk 2008a). This conceptualization could
provide better insights about how consumers actualize their power and in which capacities some possible external factors impact consumer power on the Internet.

**Consumer Power and Exit & Voice**

Consumer exit and voice are two strong concepts that encompass the richness of product choices and alternatives, competition and consumer dissatisfaction, and thus consumer economic freedom (Hirschman 1970; 1986; Loafman 1994; Gurdon 1999). Consumer exit indicates the proportion of consumers that are leaving the company’s consumption cycles, and is generally discussed as a signal of a company’s performance gap. Voice emphasizes the importance of consumer feedback and suggestions in product/service failures. Thus, voice, either positive or negative, is generally seen as information rich and a more beneficial market feedback mechanism than exit (Hirschman 1970; Stewart 1998; Singh 1990; Keely and Graham 1991). Although negative voice can be seen as the best of worst options, it can hurt a company's reputation and brand value dramatically if consumers become negatively organized in online environments (Kucuk 2008b; Krishnamurthy and Kucuk 2009; Kucuk 2010).

Consumer might prefer to exit when they feel that service failure is permanent and/or intrinsic to the major service component; they might prefer to raise their voice if the service failure is perceived as temporary (Robertson and Shaw 2005). In other words, while core-problems might motivate exit, side problems might trigger brand-switching and voicing (Stewart 1998). In general, it can be said that if the cost of voicing is high, people prefer to exit (Keely and Graham 1991).

Although there are situations where consumer exit and voice work independently, there are also situations in which they work together, thus they can be considered as autonomous, if interacting, concepts (Hirschman 1970; Barry 1974; Keely and Graham 1991). When exit and voice work together, they might also create negative synergy effects in other consumer evaluations. Thus, this synergy directly enhances the consumer right to be informed, choose and right to be heard. This, in turn, indicates the importance of the exit-voice mechanism’s contribution to market liberation, as also pointed out by Hirschman (1986: p.79) as follows:

“…exit and voice mechanisms as complementary ingredients of democratic freedom, rights which tend to be enlarged jointly or restricted jointly”.

In summation, exit and voice are the fundamental mechanism of market liberation and thus they are major sources through which consumer power can be derived and originated (Kucuk 2008a; Kucuk 2009a; 2009b).

In this context, consumer power and its sources in, and relationships with, consumer exit-voice mechanisms need to be investigated in details. Such power components have been previously discussed as “technologic” “economic”, “social” and “legal” power sources (Kucuk 2008b; Krishnamurthy and Kucuk 2009; Kucuk 2010).
and Krishnamurthy 2007), components which are also later defined as preconditions for consumer organized anti-consumption and anti-branding movements on the Internet (Kucuk 2008b; Krishnamurthy and Kucuk 2009). The combinations of technological, economic, and social consumer, power sources are also describable as components of consumer exit behaviour from markets, thus they are conceptualized as “exit-based consumer power”; while technological, social and legal power sources are conceptualized as “voice-based consumer power” (Kucuk 2008a) (as also pictured in Figure 1). Voice-based consumer power can also influence other consumers’ preferences, an example is that voice-based communications might motivate collective exit. It is expected that possible improvements in exit-based and voice-based consumer powers might, eventually, bring markets into consumer equalization with companies, thus enhancing market liberalization as well (Kucuk 2009b).

Therefore, these new Internet instantiations of Exit-Based and Voice-Based consumer powers and their impact on general consumer power and market equalization processes will be investigated in the following sections.

Figure 1: The Actualization of Market Equalization

Exit-Based Consumer Power

'Exit-Based consumer power', hereafter 'Exit', is defined as leaving the company consumption cycle for the foreseeable future and this self-exile has a direct economic impact on a company. However, instances of Exit can be partial or temporary rather than a permanent diminishment of patronage with the company (Stewart 1998). Partial exit is often associated with the brand-switching concept discussed in retailing literature. Whether partial, temporary, or permanent; exit-based consumer power generally creates a variation of "economic equalization" with companies (Kucuk 2008a; 2009b).

Some studies show that exit is the only option generally used by persistent and knowledgeable consumers (Andreason 1985). Also, higher exit rates can be observed with
complex products and services – such as medical care and auto services (Singh 1990). A more detailed discussion about Exit’s dimensions from a multi-disciplinary approach comes from Kucuk (2008a; 2008b).

Exit-Based consumer power has three major components: Economic, Social, and Technologic. These dimensions of exit-based power sources will be discussed individually in the following sections:

**Economic Power**

Hirschman (1970; 1986) discussed “exit” in two dimensions: 1-availability of alternatives or substitutes in the markets, and 2-quality decline of product/service. Thus, the combination of more close substitutions in the markets and a quality decline in the product the consumer is currently consuming can, in turn, push or facilitate consumers to exit the company and its market consumption cycles.

The availability of alternative products/services in the market can encourage consumer exit (Hirschman 1970; Fornell and Didow 1980; Stewart 1998; Kucuk 2008a). The size of the provided choice set (Wathieu et al. 2002; Robertson and Shaw 2005), in turn, increases consumer choices but can consequently encourage consumer exit (Fornell and Didow 1980; Rusbult et al. 1982; Kucuk 2008a). If alternative products/services are perceived as different, consumers might be encouraged to exit (Dick and Basu 1994). However, sometimes too many alternatives might also lead to cognitive overload, and thus to consumer confusion and dissatisfaction (Tversky and Shafir 1992; Dhar 1997; Huffman and Khan 1998; Robertson and Shaw 2005). Thus, an availability of fewer alternatives can enhance consumer satisfaction because it makes consumer decision processes easier (Iyengar and Lepper 2000). In this context, not only the number of available alternatives in the market, but also the consumer ability to easily specify the preferred choices empowers consumers and will frequently play an important role in consumer exit decisions (Wathieu et al 2002). With the rise of comparative shopping agents on the Internet, consumers can more easily define their needs and compare available products/services across the market simultaneously. This, eventually, suggests a vastly decreased amount of financial switching costs on the Internet (Reisch 2003; Rezabakhsh, et.al. 2006; Kucuk and Krishnamurthy 2007).

Clearly the Internet empowers consumers in the product/service selection processes and enhances their economic power. Consequently, the aforementioned aspects of Hirschman’s two dimensional exit definition (availability of alternatives in the market and quality decline of product/service) work closely together in an Internet environment because it is easy to find the alternatives and to return poor quality products or reimburse poor quality services. In summation, technologically empowered consumers can initiate collective resistance and utilize economically-based anti-consumption movements to damage companies’ economic gains (Kozinets and Handelman 1998).

**Social Power**
Ward and Ostrom (2006, p.228) indicated that “consumer dissatisfaction has long been regarded as primarily a lonely experience”. However, with the internet, now many frustrated and dissatisfied consumers can easily find each other and develop a socially conscious targeting of companies. Thus, consumer dissatisfaction is no longer a lonely experience but is instead a powerful collective action on the Internet. Clearly it is easier to organize boycotts and anti-consumption movements on the Internet (Krishnamurthy and Kucuk 2009) that can hurt a company economically.

Barnes also discusses social power in terms of collectively held knowledge or the distribution of knowledge (Barnes 1988; Jordan 1999). Today, information and knowledge is readily available on the Internet. Many individuals on their websites, on blogs, on social networking sites, and online communities, are revealing information about companies, individuals, and social movements, information which was largely unknown before this communications revolution. In fact, some online communities, such as various open source communities, are generating information and products for the benefits of consumers though using such information. Thus, it is clear that consumers are empowered on the Internet through their use of Barnes’s social and interaction based power conceptualization.

However, the easier it is to access more information about companies and their practices on the Internet, the easier that consumers can be influenced by many conflicting and confusing corporate and consumer messages in the digital world. This, eventually, weakens the trust link in consumer-company relationships. This, in turn, raises questions about the necessity of trust originated power conceptualization (Luhmann 1979; Kucuk 2009a). Luhmann (1979) defines power as an uncertainty reducer and examines complementary forms of power and control. Although trust can be defined as a substitute for power (Rousseau et al 1998), distrust can also be used as a power source by consumers (Ekici 2007). An example of this is that many distrusting consumers are getting together around the same dissatisfactory experiences, and exiting the company’s consumption cultures and cycles. It is possible, and is thought historically likely, that a lonely consumer would continue his or her relationship with a company if he or she is not awakened by fellow consumers via social networks and online communities. In this context, consumer satisfaction can be enhanced by an increased comparison of options with adversaries (Loewenstein, Thompson, and Bazerman 1989) in many online social gathering places.

It is important to also remember that, although consumers have better access to a vast amount of market information with the advent of the Internet, this access can eventually cause ‘information overload’. Much of the information available in the blogosphere and on social networks can be confusing, false, and not up-to-date (Kucuk 2011) and this fog of uncertainty eventually increases the need for accurate and concise information about products/services in the markets. The summation of these factors is that consumers can now develop their social filtering systems in cooperation with their like-minded fellow consumers to access the most accurate, concise and useful information available for them on the Internet (Kucuk and Krishnamurthy 2007). This, in turn, enhances consumer satisfaction and empowers consumers socially and economically.
Technologic Power

Weber (1952) defines technologic power as a possessable and transferable object. If the object has power to change behaviours, then the person who owns that object has power (such as a weapon, a flour mill, or a plow). In today’s developed world a majority of consumers have the necessary technology to easily change their preferences and to raise their voice effectively on the Internet. Thus, having access to Internet technology can be associated with Weber’s possession-based power conceptualization; and can be identified as one of the major consumer powers source in the digital world. This issue is, of course, discussed in the Digital Divide literature extensively (DiMaggio et al 2004; Mehra, Merkel and Bishop 2004). Consumers who have computers and Internet access eventually have access to substantial market information and can be empowered, while some others stay in the dark side of the digital divide and are not empowered (Kucuk 2009b).

From Weber’s possession-based power conceptualization, if consumers have access to the Internet this, in turn, provides superior flexibility in terms of time-space comparison – as also pointed out by Thompson (2003; p.123): “We can now ‘virtually’ be anywhere, and be ‘virtually’ anyone, at ‘virtually’ any time”. Thus, consumers are actively experiencing and enjoying their multiple-selves with the technological conveniences provided by the Internet, and can eventually feel, and even be, empowered. In other words, via the Internet it is now easier for consumers to exit one company’s consumption cycles and go to another one (Wathieu et al, 2002; Robertson and Shaw 2005; Kucuk 2008a). Consumers can also easily specify and adjust to the choices provided by different technological advancements on the Internet (Wathieu et al. 2002; Robertson and Shaw 2005; Kucuk and Krishnamurthy 2007). Consumers who first exit a company’s consumption cycles and meaning systems are generally more knowledgeable consumers, as indicated in the consumer complaint literature (Andreason 1985; Singh 1990). The number of knowledgeable consumers is increasing with the digitalization of markets because it is much easier to access market information on the Internet, as also detailed in the previous section (Kucuk and Krishnamurthy 2007; Kucuk 2008a). In short, it has been shown that consumer exit behaviours are encouraged and enhanced on the Internet, a situation which eventually increases consumer control over product/service choice, and thus consumer power.

Voice-Based Consumer Power

Consumer voice, either positive or negative, can provide important information to the company. However, negative consumer voice has more impact on prospective consumers purchase decisions (Mahajan, Muller and Kerin 1984), on company sales (Chevalier and Mayzlin 2006), and even on a company’s future idiosyncratic stock returns (Luo 2007). Thus, consumer negative voice might, overall, play a more important role in consumer decisions. Research has shown that consumers with a higher prior satisfaction are prone to have a more aggressive tone in their voice (Rusbult, Zembrodt and Gunn 1982; Gregoire and Fisher 2008; Gregoire, Tripp and Legoux 2009). Some other studies have also indicated that loyal consumers might feel cornered between voicing and staying silent while hoping that things get better (Ping 1993). In general consumers who raise their voice are
more likely to be the best consumers the company has – in both direct consumption and reputation, thus companies should not ignore such complaints.

However, there is less multi-disciplinary research on how this voice has actually been influenced by the recent changes in our lives in this internet age. Therefore, the following sections will be discussing “voice-based consumer power” in its three major components (Kucuk 2008a; 2008b): Technologic, Social, and Legal.

*Technologic Power*

Consumers can now easily broadcast their messages to markets and talk with companies on near-equal terms, an ability recently defined as “speech equalization” (Wu 1999; Vengh 2003; Kucuk and Krishnamurthy 2007; Kucuk 2008a; Kucuk 2009b). In other words, if a company has a website so can each consumer, thus consumers are talking with companies on the same level with the advent of the Internet technology.

A majority of consumers used to, through preference or lack of opportunity, to stay silent and share their experience with only their close friends and family (aka “silent majority” Singh (1989)). Now, consumers can easily voice their complaints to the company itself, to third-party complaint sites, and to related government institutions, on the Internet (Harrison-Walker 2001; Robertson and Shaw 2005). Now, consumer complaints are not a private action anymore, instead they are a public phenomenon (Ward and Ostrom 2006; Krishnamurthy and Kucuk 2009) because of the ease of complaint features and social support systems on the Internet. Consequently, companies need to understand how consumers perceive the costs and benefits of complaining online in order to reach a better communication with their favourite consumers (Cho et al. 2002). One of the major reasons behind this pre-digital silence was that consumers did not want to get into an unpleasant face-to-face communication with a representative of the company they were struggling with. However, many complaint communications on the Internet are less personal, and this allows, even encourages, consumers to complain easily online (Robertson and Shaw 2005). In short, raising a voice is easier on the Internet.

Secondly, consumer complaints are generally written in online public places and can be found whenever anybody intends to find them. Thus, complaints cannot easily be missed or ignored, creating more negative exposure for the targeted company. Consumers are most likely to voice when they perceive a high probability of a successful voice outcome (Richins 1983). Consumers might have a better chance to benefit from their complaints when such complaints are in a written form and publicly listed in online places and cannot be ignored. Clearly consumer voice is empowered by technologic advancements on the Internet. Now, consumers can create their own movies, videos, and showcase their experiences with the company to the public, thus broadcasting their views effectively and efficiently with the help of the Internet technology (Ward and Ostrom 2006). As a result, internet technologically allows consumers to talk with the population, not just companies as in the old pre-digital times, thus there is equalization in market speech in digital environments.
Social Power

The Internet might be the most powerful communication tool for organizing crowds around social issues and building social consciousness. Today, many consumer-generated messages have been developed in the blogosphere, and social networks are perceived as more trustworthy than marketer-generated messages (Bickart and Schindler 2001; Johnson and Kaye 2004; Armstrong 2006; Kucuk 2008a; Krishnamurthy and Kucuk 2009; Kucuk 2011). In other words, consumers are gaining and maintaining their power from consumer-to-consumer credible communications rather than from company-to-consumer communications. In this context, the online communities and social gathering places get their power by bypassing marketer manipulated one-sided information with (presumably, hopefully) true and trustworthy consumer experiences. As well-pointed-to by Lewis and Weigert (1985:462): “Trust begins where knowledge ends”. Today, the weakening trustworthy relationship between a company and consumers is supplanted by online consumer social support systems.

In addition to rebuilding market trust on their own terms, consumer are exchanging ideas and getting more productive in terms of creating group and alternative brand identities in online communities and social networks. Today companies have started to use consumer generated ideas and products/services as a springboard for new products, etc. Alternatively, WOM (word-of-mouth) communications created in many online social places can easily increase in volume and vitriol and deeply hurt the company’s value systems and identities. Many companies are trying to monitor what their consumers are saying about them, before any negative information or negative consumer experiences spread to the whole market. Consumer created WOM in online social environments now has more power than many marketer-generated messages.

Legal Power

Each individual instance of consumer voice is protected by the First Amendment free-speech rights in the US (Kopp and Suter 2000, Kucuk 2007, Krishnamurthy and Kucuk 2009). Many consumer-organized and generated anti-branding and complaint sites are protected by laws that enhance consumer rights to access market information, their right to be informed, and their right to be heard.

Research reveals that the greater the degree of external attribution in the service failures, the more likely consumers will voice (Richins 1983; Curren and Folkes 1987; Robertson and Shaw 2005). The Internet is a self-service shopping tool in its nature. Thus, the more consumers become online content and message creators, the more legal conflicts between consumers and companies can be expected. In general, the more consumers feel that service failures are not their fault, the more an increase in consumer complaint and voicing behaviours can be expected on the Internet—and specifically for online service companies. These issues, in turn, directly link to who is controlling or responsible for the content and service provided on the Internet. Clearly, the trend is on the consumer side, and thus as fewer consumers feel that service failure is their own fault, the greater their inclination to
voice (Diaz and Ruiz 2002; Curren and Folkes 1987; Folkes, et al. 1987; Robertson and Shaw 2005) their complaints or take legal action against companies can be expected on the Internet.

**Market Equalization**

Power as a concept is directly related to equality and/or inequality, because power itself creates or rectifies inequality between parties (Foucault 1983). If there is any kind of inequality in any relationship, there is one relatively powerful, or dominator, and one relatively powerless, or dominated, side. It can be said that the dominator party in the consumer-company relationships was the company until the advent of the inspection and communication allowed by the Internet. However, it has recently been proposed that the aforementioned consumer power conceptualization might lead to a new phenomenon called “market equalization”: eradication of company-dominant market power gap for the benefits of consumer as result of digital revolution (Kucuk 2009b). On the other hand, it is also clear that companies gain more flexibility and control, and thus power, in their operations with the advent of the Internet technology. However, the basic proposition here is that consumer power gains are more than the power gains of traditional companies, this, in turn, indicate an eradication of the power gap at an unprecedented pace for companies in today's digital markets.

Market equalization is the process of balancing market power among companies and consumers. Kucuk (2009b) indicates that once each market actor has equal access to market information, a market perfectly digitalized with access to safe and secure transaction and communication opportunities with each party, then market actors can have a chance to reach a balance with, and thus influence each other on equal terms. Thus, if consumers feel less dependent on companies in terms of economic choice and freedom, and speak with them on the same level, then we can talk about possible market equalization and democratic market systems. Thus, consumer power, in its actualization as exit-based and voice-based power, might eventually bring about equalizations between consumer and company relationships in markets.

**Hypotheses**

The study’s hypotheses can be generated in light of the aforementioned discussions:

H1: Perceived voice-based consumer power is positively related to perceived exit-based consumer power.

H2: Perceived exit-based consumer power is positively related to perceived general consumer power.
H3: Perceived voice-based consumer power is positively related to perceived general consumer power.

H4: Perceived consumer power is positively related to perceived market equalization, or consequently leads to perceived market equalization.

In this context, Figure 2 also pictures the study’s proposed power-equalization model with the study’s highlighted hypotheses as follows:

Figure 2: The Study’s Proposed Model and Hypotheses

Method

A structural survey was developed in light of the aforementioned literature discussions (see Appendix for the survey questions) in order to test the study’s model and hypotheses. All questions were measured with a five-item Likert scale. The survey was conducted in a university town in the North-Western US, and questions were directed to undergraduate students in accordance with the University’s Human Subject research process.

Sample and Demographics
A total of 103 useable student surveys were collected (n=103) with the approval of the University’s Human Subject Review Committee. The sample’s demographic distribution can be seen in Table 1. There are no systematic differences among respondents, as can be observed from Table 1.

**Table 1: The Sample Demographics**

<table>
<thead>
<tr>
<th>Sample</th>
<th>Age (average) 22.5</th>
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<tbody>
<tr>
<td>Gender (%)</td>
<td>Female 51</td>
</tr>
<tr>
<td></td>
<td>Male 49</td>
</tr>
<tr>
<td>Income (%)</td>
<td>$0-19,000 12</td>
</tr>
<tr>
<td></td>
<td>$20-49,000 18</td>
</tr>
<tr>
<td></td>
<td>$50-99,000 29</td>
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<tr>
<td></td>
<td>$100-149,000 24</td>
</tr>
<tr>
<td></td>
<td>$150,000 + 17</td>
</tr>
</tbody>
</table>

The survey was conducted with satisfactory reliability scores, as can be seen in Table 2.

**Table 2: Descriptive Statistics and Reliability**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>St. Dv.</th>
<th>Cronbach’s α</th>
<th>Composite Reliability</th>
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<td>.80</td>
<td>0.7</td>
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<td>E-2</td>
<td>3.86</td>
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<td>E-3</td>
<td>4.04</td>
<td>0.10</td>
<td></td>
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<tr>
<td>E-4</td>
<td>4.13</td>
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<td></td>
<td></td>
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<td>V-1</td>
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<td>0.11</td>
<td>.77</td>
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<td>V-2</td>
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<td>0.10</td>
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<td>V-3</td>
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<tr>
<td>EQ-4</td>
<td>2.91</td>
<td>0.09</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The high mean values of each question shown in Table 2 also indicate that, in fact, consumers feel more powerful on the Internet. The highest means came from Exit-Based consumer power questions, which can reasonably be interpreted as that the study’s sample perceives exiting as a more empowering option than voicing. Alternatively, it can be said that such consumers likely feel that the eradication of the power gap with companies can be better achieved by exiting the company consumption cycles.
In order to test the study’s validity, a confirmatory factor analysis (CFA) was also conducted with statistically significant scores (CFI, IFI and GFI are around or greater than 0.90; and RMR and RMSEA are around 0.05 and 0.07). As shown in Table 3, the CFA model shows a good overall fit and the items show a strong convergent validity by all loadings on the expected factors, thus the CFA results reveal a strong validity. In other words, the CFA findings indicate that consumer power can, in fact, be classified in two ways (voice and exit based consumer power) with market equalization as a separate component.

In light of the aforementioned significant reliability and validity analysis, it is now possible to test the study’s proposed model and hypotheses.

### Table 3: Confirmatory Factor Analysis

<table>
<thead>
<tr>
<th>Factors</th>
<th>Voice-Base Power</th>
<th>Exit-Base Power</th>
<th>Power</th>
<th>Equalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1</td>
<td>0.705</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V2</td>
<td>0.737</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V3</td>
<td>0.730</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V4</td>
<td>0.694</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E1</td>
<td>0.689</td>
<td>0.628</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E2</td>
<td>0.746</td>
<td>0.661</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E3</td>
<td>0.907</td>
<td>0.742</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E4</td>
<td>0.853</td>
<td>0.721</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P1</td>
<td></td>
<td></td>
<td>0.618</td>
<td></td>
</tr>
<tr>
<td>P2</td>
<td></td>
<td></td>
<td>0.773</td>
<td></td>
</tr>
<tr>
<td>P3</td>
<td></td>
<td></td>
<td>0.816</td>
<td></td>
</tr>
<tr>
<td>P4</td>
<td></td>
<td></td>
<td>0.731</td>
<td></td>
</tr>
<tr>
<td>EQ1</td>
<td></td>
<td></td>
<td></td>
<td>0.618</td>
</tr>
<tr>
<td>EQ2</td>
<td></td>
<td></td>
<td></td>
<td>0.773</td>
</tr>
<tr>
<td>EQ3</td>
<td></td>
<td></td>
<td></td>
<td>0.816</td>
</tr>
<tr>
<td>EQ4</td>
<td></td>
<td></td>
<td></td>
<td>0.731</td>
</tr>
<tr>
<td>χ²=128.425, df=98, CFI=0.956, IFI=0.957, GFI=0.865, RMR=0.075, Standardized RMR=0.07, RMSEA=0.055</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The study’s model was tested with a Structural Equation Model (SEM), as also pictured in Figure 2. The SEM model parameter estimations and signs of the relationships are reasonable and fitting the models’ expectations as reported in Table 4. The model’s overall fit measures also showed a good fit (CFI, IFI and GFI are around or greater than 0.90; and RMR and RMSEA are around 0.05 and 0.07). Although the chi-square test is significant, the normed chi-square value (χ²/df) is 1.3, which is below the suggested ratio of 2 to 3 as recommended by Fornell and Larcker (1981). But given that a single fit index cannot be used to fully interpret the model, the evaluation must be based in collective interpretation of the fit indices. Thus, it can be interpreted that the overall model fit as acceptable.
Table 4: SEM

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Coefficients</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>VBP → EBP</td>
<td>0.142</td>
<td>H₁</td>
</tr>
<tr>
<td>VBP → PWR</td>
<td>0.445*</td>
<td>H₂</td>
</tr>
<tr>
<td>EBP → PWR</td>
<td>0.464*</td>
<td>H₃</td>
</tr>
<tr>
<td>PWR → EQL</td>
<td>0.692*</td>
<td>H₄</td>
</tr>
</tbody>
</table>

χ²=130.109, df=100, CFI=0.956, IFI=0.957, GFI=0.864, RMR=0.078, Standardized RMR=0.074, RMSEA=0.054

* Significant at α=0.05

Thus, three of four of the study’s hypotheses are accepted. The only deviation from the proposed model was found in voice-based and exit based power causality, this shows that the study’s first hypothesis was insignificant. Such insignificant relationship suggests that consumers might feel that voice is an active option in creating public conscious but not necessarily powerful enough to change the consumption patterns since there are still no useful information filtering and reality-check systems in consumer complaint/review sites on the Internet (Kucuk 2011).

Overall, it can be said that both voice-based and exit-based powers have a significant impact on general consumer power perception. There is also a significant relationship between consumer power and consumer perception of market equalization. Thus, consumer power, which is fed by both voice- and exit-based power, eventually can lead to market equalization on the Internet. That consumer power perception has now reached an unprecedented level and consumers are now feeling as powerful as market actors as companies are in today’s digital markets is an important finding.

Conclusion

The Internet introduced the most democratic market structure and consumer-company relationship we have seen since before the Industrial Revolution. It is clear that consumers are not solely consuming media as it used to be in pre-digital times, but instead they are actively using media to raise their voices and actively involving themselves in markets in order to make economic and social impacts. The Internet has empowered consumers in unprecedented ways and levels. This newfound consumer power is now reaching unforeseen levels; consumers now frequently feel they are talking with companies on the same level, with equal terms and similar capabilities to change the course of markets for their benefits, and can easily initiate anti-consumption movements on the Internet. This market equalization process is new to the markets, and needs to be investigated closely in order to understand the impact of this increase in consumer power and market equalization process in both current and future markets.

In this context this study provides a broader and updated discussion of the possible power implications that arrived with the advent of the Internet. It is important to understand how consumers sense, objectify, and use their power; and finally how they process their role in...
market equalization on the Internet. The study investigates consumer power as two components: exit-based and voice-based consumer power. Exit-based consumer power was discussed in terms of economic, technologic and social power sub-sources, while voice-based consumer power was investigated in terms of technologic, social and legal sub-power sources. Then the study tied the newly developing consumer power discussions to the market equalization idea. The study's empirical analysis revealed that such power sources can also be directly linked with the general understanding of consumer power, which eventually leads to a sense of consumer power equalization with companies on the Internet. It is also another indicator that consumer generated marketing campaigns (positive or negative) can reach a level where they can compete with corporate alternatives, thus they act as quasi-equal partners in dynamically changing digital markets.

There are a couple of important implications of this study's discussions and findings. Recently some studies indicated that consumer power, or a consumer sense of control within a relationship with companies, might also enrich the consumer sense of satisfaction (Botti and McGill 2006; Hunter and Gamenefeld 2008; Fisher, Gregoire and Murray 2011). Thus, in today's digital times, companies need to understand how to reach a more balanced power shift and thus a market equalization that eventually enhances consumer satisfaction. A shift from a conventional marketing approach to a more consumer controlled understanding might not seem desirable, but companies can erect switching barriers and enhance consumer satisfaction through consumer empowerment. The companies who understand the meaning of such power and deal with their consumers on fair and equal terms in digital markets will be tomorrows' winners. In this context, this study is one of the first of its kind to provide a clear understanding of how consumer power works by motivating and opening new possibilities for how properly designed business models, ones that take consumer power into consideration, might eventually enrich market outcomes for all in today's digital age.

Also, reaching and maintaining a satisfactory consumer-company relationship is highly dependent upon a company's ability to build trust. In this context, consumer empowerment can be used as an effective tool to create a long term trustworthy relationship with consumers, and better collaboration in generating market value – as also indicated by Hoffman, Novak and Peralta (1999): “Trust is best achieved by allowing the balance of power to shift toward a more cooperative interaction between an online business and its customer” (p.85). Both exit and voice-based consumer power sources have strong potentials for creating trustworthy market relationships. However, the study’s only insignificant finding (the link between voice and exit power) can be interpreted as rising consumer distrust toward publicly available information on the Internet. Today's many tech-savvy consumers first prefer to go online to search information and read online consumer reviews about the products/services they intend to buy (aka “research shopping”- Verhoef, Neslin and Vroom 2007). Thus, online companies need to develop strong online filtering and reality-check systems to block possible misleading and biased information before such information mislead and harm consumers and markets. Future researches focus on development of such filtering systems allows consumers to access true information, and the
impacts of rising consumer digital empowerment on consumers' offline behaviours can be invaluable.

As a result, consumers are now practicing their power by attacking corporate power symbols, brands, by leading like-minded consumers to competitive alternatives and alternative consumption patterns, and by successfully orchestrating consumer voice on the Internet to change the course of consumption and value systems in today's digital markets. Today, consumers are demanding more power and control in market relationships from corporate counterparts. These transforming changes, in turn, are an indication of the end of the 'old time wild capitalist marketing' and a market relationship structure where market power sources and dynamics are disproportionately distributed. More broadly, today's digital markets create a structure where consumer-empowered advances have a levelling effect on the capitalist system. In fact, I can't stop asking myself; is the market equalization idea pushing the limits of the old capitalist structure to a more collectivist, socialist or perhaps pseudo-communist market structure for all as the end result of this worldwide spirally dipping capitalist marketing understanding.
Appendix Survey Questions

Exit-Based Power (EBP)

E-1: I can easily find another alternative if the product I picked on the Internet is not good for me anymore.

E-2: On the Internet I can easily exit from a company’s meaningless consumption cycle and go to another company.

E-3: On the Internet it is easy for me to find an alternative if the product or services lose its value for me.

E-4: On the internet it is easy for me to leave one company and go to another one if I don’t get enough satisfaction from the old company’s products/services.

Voice-Based Power (VBP)

V-1: On the Internet, if necessary, I am always willing to raise my voice.

V-2: I am always willing to raise my voice when I see wrong-doing on the Internet.

V-3: I am more likely to voice my complaints on the Internet.

V-4: It is easier for me to raise my voice on the Internet.

Power (PWR)

P-1: I feel good about being on the Internet because of my ability to influence the choices offered to me by companies [Modified from Hunter and Garnefeld (2008)].

P-2: My influence over companies has increased relative to what it was in the past [Modified from Hunter and Garnefeld (2008)].

P-3: I feel I am empowered on the Internet.

P-4: I feel I have the power to influence companies on the Internet.

Equalization (EQL)

EQ-1: I feel I am as powerful as companies on the Internet.

EQ-2: I feel I can deal on equal terms with Internet companies.

EQ-3: On the Internet I feel I have an equal status with companies.

EQ-4: I feel I am as equally effective as companies on the Internet.
References


Luhmann, Niklas (1979) Trust and Power, Chichester: John Wiley & Sons, Ltd.


23 http://www.jrconsumers.com/Academic_Articles/issue_21/


