
Consumer Exit, Voice, and ‘Power’ on the Internet

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ABSTRACT

This paper proposes a new conceptualization of Hirschman’s (1970) exit and voice theory in the light of discussions about rising consumer power on the Internet. Exit and voice, in this context, are discussed in relation to consumer power sources (technologic, economic, social and legal) and consumer behavioural orientation (consumer as market actor or citizen). The paper defines two new forms of consumer empowerment on the Internet: exit-based and voice-based consumer power. The discussion highlights new perspectives for understanding the effects of newly defined exit and voice behaviours on the Internet with case examples. Thus, the paper (1) highlights the components of rising consumer empowerment on the Internet, (2) suggests consumer approaches for becoming an active market participant rather than a passive recipient of company-generated consumption cycles and (3) presents possible public policy approaches to enhance consumer power for better functioning markets on the Internet.

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Introduction

With recent developments in online shopping environments, consumer exit and voice are strengthening and are also interpreted as strong indicators of rising consumer power on the Internet. This paper is the first of its kind to provide a discussion platform that defines the consumer power facilitated by the Internet as an antecedent and precondition of consumer exit and voice behaviors.

Consumer Exit and Voice

The phenomena of exit and voice each signal to companies that the customer is not satisfied. Some consumers voice their dissatisfaction while exiting markets; others stay in the market but raise their voice about their dissatisfaction to attract company attention. Recently, Internet technology has brought an increasing number of market players and increased the diversity of the market value offerings. This newfound richness of options, in turn, makes exit easier for many consumers, allowing them to abandon one market or product and enter or buy another. The Internet also socially empowers consumers to connect with others. This can result in collective actions in exit, which not only maximize the consumer’s individual economic self-interest, but also serve to protect society’s collective moral and ethical values. This increase in consumer involvement on a collective level may signal to law makers and agencies a need for greater regulation in the market.

Exit and voice, by nature, have different presumptions. According to exit, consumers solely act with economic self-interest and thus new social values can easily be dictated to consumers as long as economic self-interests are satisfied. Voice reverses exit's perspective and emphasizes the consumer's role and involvement in social value development with the support of legal systems in markets.

Consumer Exit and Power

One of the major antecedents to consumer liberation can be explained by rising consumer empowerment on the Internet. In this way, consumers may now choose to exit the market for ideological reasons that are supported by online communities, as opposed to the simple product or company dissatisfaction that has traditionally led consumers to exit in the past. This is a new form of consumer exit behavior that has not resulted from direct consumer dissatisfaction and deserves more attention. Exit, therefore, will be discussed more specifically in terms of exiting brands and consumption styles in order to provide a more focused discussion.

Economically, exit has never been easier than it is currently on the Internet. This is true because switching costs that have often been a deterrent to consumer switching in brick and mortar shopping venues are generally low in cyberspace. Technologically, the Internet also introduces important shopping conveniences such as enhanced price transparency in many markets. Shopping bots (intelligent agents tasked with finding the best price combinations for consumers) can lower the physical searching and switching costs, thus increasing consumers' economic power. The Internet also provides an effective platform for consumer protest. Consumer-organized anti-brand sites facilitate the efficacy of boycotts because of their ability to reach such a large audience at little to no cost, thus creating great technological and social advantages for consumer advocates. The Internet facilitates this process due to the increased number of online social networks. Thus, the economic power source is closely tied with the technologic and social power sources.

This is discussed in Case 1 to showcase how such power sources function to enhance exit-based consumer power.

Case 1: Delocator.net-Consumer-Supported Brand Switching

The delocator.net is a user-driven counter-marketing device created by an ordinary consumer, Christine Hanson, who realized that the only café choice while visiting the artsy Soho District of New York City was Starbucks. Hanson explains the situation as follows: "*They are all exactly the same. And I guess that's what my problem is...it's a lack of choice. The complete homogenization is bothersome*" (Dizon 2006). Hanson actually worked as a Starbucks barista for six weeks, and she said; "*I felt very coglike while I worked there- like I was a cog in the wheel*" (Dizon 2006). Therefore, Hanson created delocator.net. Her site serves as the converse of Starbucks's online "locator" function – rather than finding Starbucks, the delocator.net points consumers in the direction of independent cafes that might offer more of a unique experience than a corporate chain store. The delocator.net site was wildly popular, with many visitors taking the affirmative step of adding their favorite cafes to the site for others to visit. The site, which had more than 6,000 posted cafes compared with 7,661 Starbucks stores in the U.S. as of January 2006, responds to consumers' queries by listing all independent coffee houses within a 5-mile radius of an entered ZIP code (Schwartz 2005). A visitor has also the opportunity to share comments about why they would recommend a particular coffee spot.

Clearly, Delocator.net provides evidence that an ordinary consumer can exit a company-created consumption cycle by using the same technology and creating a system that informs other consumers about options outside of the corporate-constructed norm. Delocator.net is a good example of how consumers can articulate their anti-consumption philosophy by targeting specific corporate brands and connecting with other consumers through the co-creation of messages and inspiring consumers to change their behaviours and create economic pressure on the targeted brand. This has become an important indication of exit-based consumer power on the Internet.

Consumer Voice and Power

Consumers are not just exiting markets but are also raising strong voice and consciousness in markets; hence, consumer voice and awareness are also heightened on the Internet. Consumer voice is not just a preference-expressing mechanism on the Internet, but also a way for responsible and ethical individuals dedicated to society's collective value system to express themselves. These kinds of member consumers, in turn, can also be empowered by the interaction of technologic, social and legal consumer power sources on the Internet.

Technologically, the Internet introduces a non-hierarchical distributed network system, which allows all parties to be equal to each other in status in the networked structure. Socially, the Internet might be the most powerful tool to organize people to date. Online networks and communities are actually producing and creating new value systems on the Internet. Voice might have better potential to create collective value systems in cyberspace than exit, as long as voice successfully captures society's needs and potential legal rights in the name of protecting individual consumers' rights.

Legally, consumer voice is protected by the First Amendment right to free speech in the United States¹. The law protects many consumer-organized anti-brand sites if they are not profit generating, thus limiting the effect of corporate legal action and enhancing the legal power of these sites, and hence consumer voice. In *TMI, Inc. v. Maxwell, 2004*, the court held that the website owner could share his complaint with other consumers on his site or on his domain name. The court in *Lucas Nursery & Landscaping, Inc. v. Grosse, 2004*, found that the plaintiff was not trying to benefit financially by using the defendant's trademark. There is at least one legal ruling which holds that a trademark in domain names created by non-licensed sites or users is generally not treated as trademark infringement because such use does not lead to trademark dilution due to brand confusion (see the discussion of *Bally's vs. Faber* case in Kopp and Suter 2000, p.126).

These issues are showcased in Case 2 to illustrate how such consumer power sources can function in order to enhance voice-based consumer power.

¹ The United States is used as an illustrative example. Many other Western countries have similar free speech protections.

Case 2: Themeatrix.com - Revealing the Ugly Truth behind Factory Farming

Themeatrix.com is dedicated to educating consumers about the truth behind factory farming and shows online videos critical of factory farms. The theme of the site is a take-off of the science-fiction movie the Matrix. Themeatrix.com was viewed by more than one million people in the week after its launch¹, and a total of 15 million had seen themeatrix.com films as of November 2007². Themeatrix.com developed its third “viral video” (or video that is spread from person to person on the Internet like e-WOM) and the site’s popularity skyrocketed on YouTube and elsewhere on the web (Ebenkamp and Wasserman 2006). As evidenced by the high traffic on the themeatrix.com, the site’s viral videos raised important public awareness and consumer consciousness about a wide variety of negatives of factory farming such as environmental pollution, animal abuse, exploitation of farm workers and loss of traditional family farming. Blogs and discussion forums surrounding the themeatrix.com have become popular, bringing an important message to other consumers regarding the environmental and public health problems that may be stemming from what a consumer brings to the dinner table. Themeatrix.com was able to successfully apply journalism practices by bypassing corporate broadcasting filters and raising consumer voice in the markets.

Themeatrix.com successfully orchestrated consumer voice with short but influential viral videos and by putting pressure on factory farming. As such, the site created a forum for public voice and rallied consumers around an important market message. Such consumers are educated on the digits of meatrix.com and gain greater consciousness and voice regarding important issues surrounding the food we eat, indicating the success of voice-based consumer power on the Internet. Overall, exit is a relatively more silent mechanism than voice (individual exit has a limited impact on changing or protecting collective value systems) unless the idea of exiting reaches the minds of a majority of consumers in society.

Discussion

Since exit is generally a slow indicator of consumers’ real intentions and expectations for markets, consumer voice can be used as an early detection mechanism to take precautionary steps before market exit causes destructive results for overall market welfare. Thus, the double functional form of technologic (exit: easy to exit; voice: speech equality) and social (exit: leave together or anti-consumption acts; voice: development of group identity) power sources as crucial antecedents of consumer exit and voice (see double lined arrows in Figure-1) can tell much about how cyberspace will be shaped in the future. Both technologic and social power sources can provide a platform for more balanced market interactions and might fundamentally change the direction of online markets.

Therefore, the following suggestions can also be proposed to achieve well-functioning markets in the context of this study:

Technology Issues: Although the information asymmetry among market players and consumers is improving as a result of the digitalization of markets, there are still unequal practices and barriers to accessing markets and market information. This, in turn, is likely to reinforce

¹ <http://archives.seattletimes.nwsourc.com/cgi-bin/texis.cgi/web/vortex/display?slug=btdownload17&date=20031117&query=meatrix>

² <http://www.themeatrix.com/about/filmfests.html>

inequality in opportunities for economic mobility and social participation (DiMaggio et al. 2004), thus negatively influencing both exit and voice. The inequality of consumer access to the Internet, in terms both of limited access to computers and limited or poor quality connections to the Internet, is discussed at length in the Digital Divide (DD) literature. As a result of these technologic barriers, technologically disadvantaged consumers are losing their relative economic power and thus are unable to act either as effective market agents or as citizen consumers to impact the direction and the meaning of consumption and markets on the Internet. Without consumer accessibility to market information, consumers' right to be informed as well as right to be heard, are at serious risk.

Consumers who find themselves on the other side of the DD are generally minorities, marginalized societies or sub-cultures within societies; or alternatively consumers in less developed countries in global markets. In an attempt to solve the DD problems, many have proposed providing computers, software and Internet connections to those technologically neglected. On the other hand, understanding the lifestyle of a minority in marginalized societies is crucial, as is exploring their social dynamics and the way they interact with technology. Another way of eliminating DD effects could be providing open content, free software and open access to social movements, which are the heart of the open source software (OSS) philosophy. Some governments in developing countries even use open software (Linux) because they cannot afford branded software (e.g., Microsoft). Thus, OSS eventually reduces the DD effects in the markets and enhances both exit-based and voice-based consumer power, especially in developing nations.

Also, although some consumers have easy access to cyberspaces, unavailability of easy-to-use technologies hurts consumer involvement in online markets. Thus, development of technologies that are easy for consumers to use and eliminating the barriers to accessing market information are other major technologic challenges. Consumers' ability to access the Internet and use Internet technology directly maximizes their likelihood of accessing correct market information, which has been discussed as one of today's major new consumerism components of the Internet (Kucuk 2002). Recent government regulations in the US such as the "Rehabilitation Act" --also known as 508 Compliance-- require all Federal institutions to provide fair electronic applications for disabled applicants. The purpose here is to minimize accessibility discrimination to public information for people with disabilities and developed standardized web applications that can be easily accepted and used by all. In other words, inaccessibility to online markets equates to the degradation of consumer rights. Therefore, technologic innovations and improvements in software can help disadvantaged users by adjusting the Internet into their daily lives, with the result of minimizing barriers to these consumers' accessibility to the markets and market information.

Social Issues: Enhanced consumer learning of Internet technologies and cyberspace value systems at the individual and social level should be encouraged by governments, legal agencies and online communities. Consumer organizations and advocates should not just be involved in the consumer learning process of Internet technology, but should also test the effectiveness and legitimacy of consumer voice by closely monitoring companies that seek out consumer insight. Soliciting consumer suggestions and complaints can be more complicated than one might assume. A company should develop a complaint system so that it may respond efficiently to consumers who may be raising conflicting issues. But the company must take some form of action, as consumers quickly grow wary of companies that take complaints or suggestions but never make changes accordingly.

Conclusion

This new conceptualization will hopefully shed light on arguments regarding whether exit-based or voice-based consumer power plays a more active role for consumer welfare and online markets in the future. Overall, the Internet might be attracting more people as a strong voice tool rather than just a shopping tool in the markets. Consumers, in turn, are gaining more consciousness and awareness of the developments in the markets. All of these aforementioned developments are forcing companies to build more trustworthy relationships with consumers. One option for companies to eliminate the negative influences of voice on consumer exit is to invest more in consumer loyalty. Another alternative is for companies to transform the negative impact of voice by encouraging consumer involvement in company activities via online social groups or brand communities to create colleagues rather than competitors. Recently, many companies realized the opportunity for such improvements in consumer voice-based power and hired consumer bloggers to promote their products and brands (Armstrong 2006). However, such company-oriented approaches that are focused on influencing consumer voice might not accurately reflect the reality of consumer culture and movements. Consumers must carefully assess the information provided on blogs or other Internet sites, as not all information (whether created by individuals or company-paid bloggers) is accurate.

Social systems and business models that are capable of offering a combination of exit-based and voice-based consumer power will likely be dominant in shaping the future of markets and societies. Thus, companies and marketing systems that empower consumers to work closely with companies will be leaders in the transformation of societal value systems and the creation of strong immunity in markets. Markets can not progress without a strong consumer presence and involvement as active market players on the Internet.

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