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.

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; 2009; Izberk-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.

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, 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. Later, consumer power was discussed and mentioned in consumer complaint literature — defined as the third wave in this study's context. 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. 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, 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.

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). 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). 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).

Thus, 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 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 behavior 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). 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 2009).

Exit-Based Consumer Power

'Exit-Based consumer power' 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; 2009).

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).

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.

Market Equalization

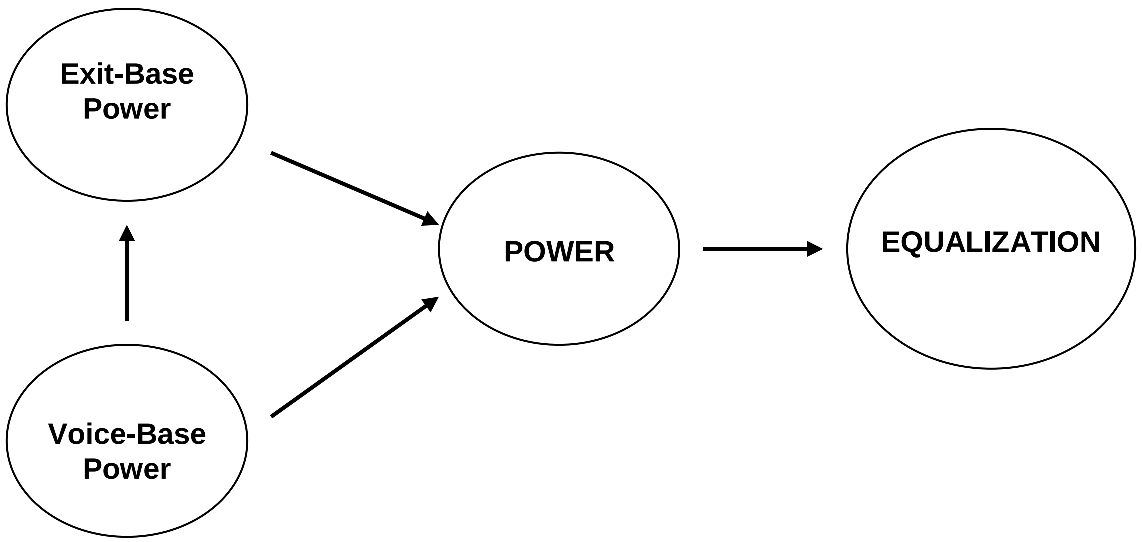
Power as a concept is directly related to equality and/or inequality, because power itself creates or rectifies inequality between parties (Foucault 1983). If there is any kind of inequality in any relationship, there is one relatively powerful, or dominator, and one relatively powerless, or dominated, 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 2009). 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 (2009) 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.

The Study's Proposed Model

The study proposes a new power-equalization model in light of the aforementioned literature discussions (See Figure-1).

Figure-1: The Study's Proposed Market Equalization Model



The study's proposed model is simply aimed to investigate if such exit and voice-based consumer power can eventually lead to a sense of consumer power equalization with companies on the Internet. The study's model was tested with a set of statistical analysis. Three of four of the study's hypotheses are accepted. This, in turn, indicated that the consumer power courses can, in fact, lead to market equalization on the Internet. The only deviation from the proposed model was found in voice-based and exit based power causality. 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 is still no useful information filtering and reality-check systems in consumer complaint/review sites on the Internet (Kucuk 2011).

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.

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 (Hunter and Garnefeld 2008). 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.

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 leveling 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.

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