Online User Generated Content

"Exploration of the impact of UGC on Consumer Behavior"

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October 2008

Project Background

Background

Given the increase in consumer use of User Generated Content (UGC) in the past
years and the influx of discussion forums/blogs and social network sites to the
Internet, an initial exploratory research project was initiated by LJS to measure and
understand consumers attitudes, behaviors and use of UGC when making a decision
on purchasing a product or service.

What was done?

- 4 Focus groups with a representative sample of Chicago area consumers in
September 2008.

- Telephone study in September 2008 with a national projectable sample of 450 U.S.
households.

Executive summary

Executive Summary

- With a majority (73%) of American consumers having Internet access, user generated content (UGC) is emerging as an influential information source for consumers.

- Nearly half of all U.S. consumers mention that they have gotten information or advice in the past year from any of the different sources of UGC before making a purchase of a product or service.

  - Consumers in the higher consumption ages (35-54), followed by younger consumers (18-34) report a higher incidence of all UGC sources than older consumers over the age of 55.

  - While consumers age 35-54 report higher incidence for customer reviews, younger consumers rely more on opinions on social networks such as www.facebook.com.

  - Incidence of User Generated Content before purchasing a product or service increases as the level of education and income rise.

Executive Summary (Cont'd)

- **The frequency of use of User Generated Content is highest among consumers between the age of 35-54, those with higher educations and higher household incomes.**

- **Trailing only "word of mouth" and "consumer/industry report," "User Generated Content" is the third most influential source of information for consumers when making a purchase decision...nearly one-third of consumers say that UGC is "Extremely/Very" influential when making a purchase decision.**

  - Younger consumer are significantly more likely than older consumers to mention that UGC is "Extremely/Very" influential when making a purchasing decision.

  - Similarly, those with higher educations mention being more influenced by UGC than consumers with lower than average education levels.

  - Contrary to what might be expected, consumers with incomes of over $100K are less likely to be influenced by UGC than those with lesser incomes.

Executive Summary (Cont'd)

- Given the accessibility of the Internet across the U.S., the number one reason for the boom in consumer use of "User Generated Content" is that consumers are already online looking for information. As technology has advanced, the Internet as a source of knowledge has become a part of consumer every-day behavior.

- Consumers feel a level of "camaraderie" with UGC posters mainly because they feel some level of empathy with them...they are also consumers who live and breathe similar experiences with products and services.

- Regardless of the perceived level of confidence in a product choice, there always exists some level of insecurity in that decision among consumers. For many consumers, UGC provides that final litmus test to feeling that a right choice was made or the wrong on avoided.

- While use of "User Generated Content" is common place among U.S. consumers, it's just a piece (albeit an increasingly important piece) of the puzzle of information that influences consumers of making a purchasing decision. Consumers use it with other information that is available.

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Implications

- **User Generated Content is pervasive:**

  - Half of all consumers report using UGC within the past year to help them make a purchase decision

  - Roughly 20 percent of all consumers contributed UGC in the past year

  - Among those under 55 years old, roughly three quarters use UGC and ___ contributed UGC in the past year

- **UGC targets the most affluent, attractive consumers:**

  - Heaviest users of UGC are:

    - highest consumption ages (35-54)

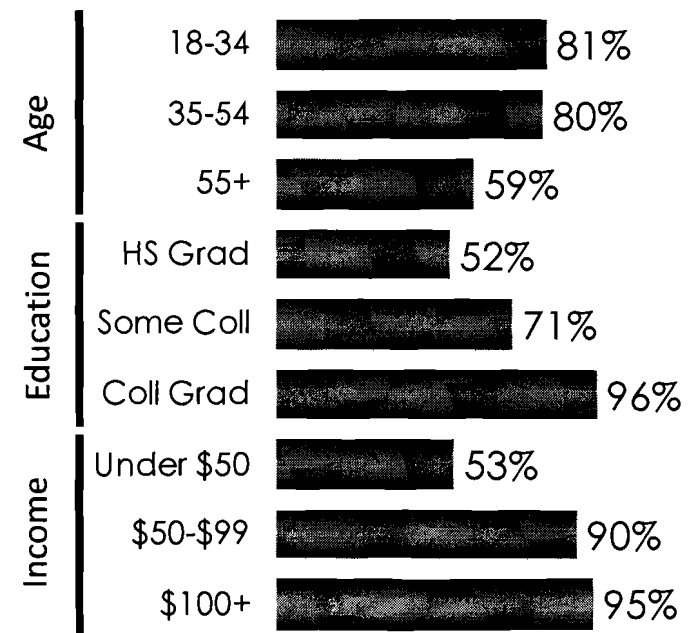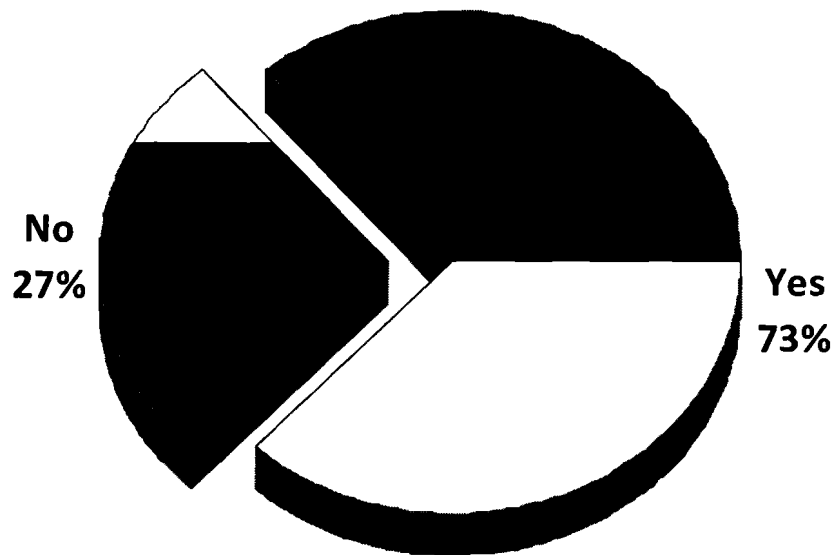   - highest incomes

    - highest educations

Implications

- **UGC has a substantial impact on purchase decisions:**

  - Consumers rank UGC's influence above traditional advertising, such as TV, by a factor of three to one.

  - UGC trails, but by a relatively small margin, professional products reviews in terms of influence on purchase

    - Among youngest consumers (18-34), UGC is actually rated higher than professional reviews in terms of purchase influence

- **UGC use is driven by four key factors:**

  - Its accessible to nearly all...**part of my life**

  - It comes from **consumers like me**

  - Consumers use it as a **litmus test to break ties/make final decision**

  - Uses with other soruces...**not the end all YET**

- **UGC is becoming measurable and thus more manageable**

  - Recent advanced in "natural language analysis" tools allows near real time monitoring of UGC with full interactivity

Detailed Findings

Internet Access in the US

- **Three-in-four households in the U.S. mention they have Internet access either at home or at work. Accessibility to the Internet is significantly higher among younger, more educated and higher income households.**

% U.S. Households Who Have Access to Internet...

No 27%

Yes 73%

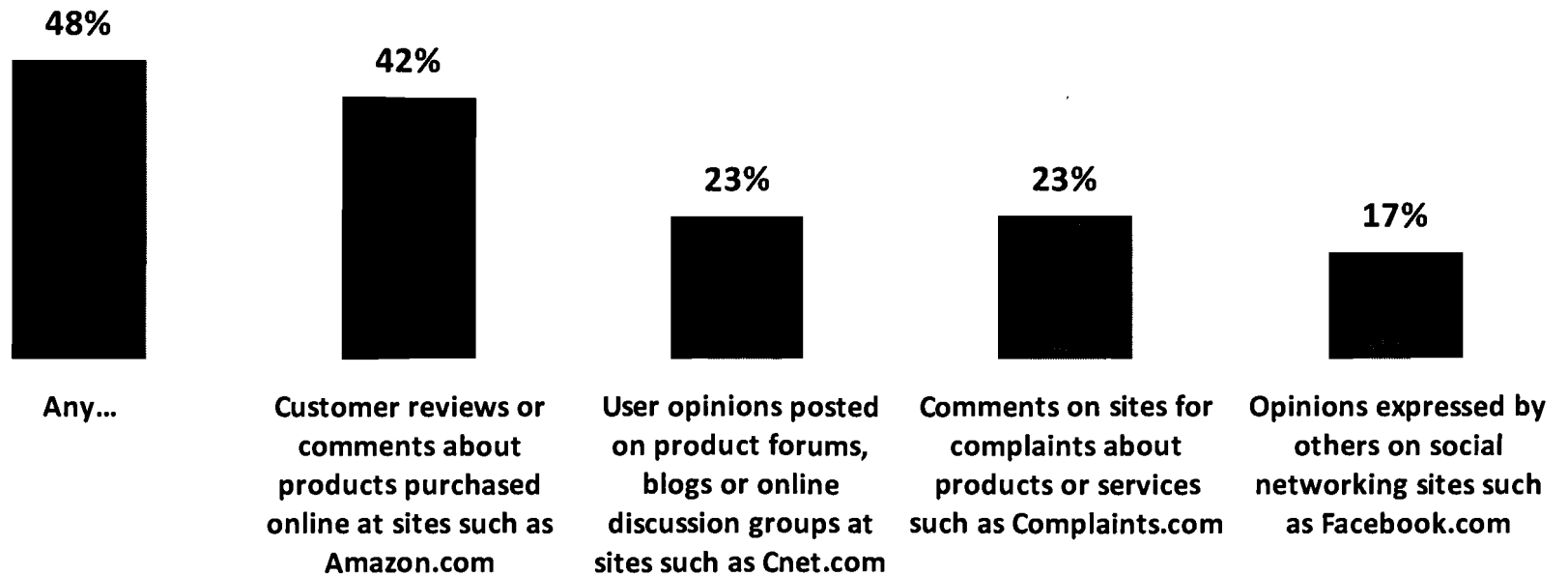|		
Age	18-34	81%
	35-54	80%
	55+	59%
Education	HS Grad	52%
	Some Coll	71%
	Coll Grad	96%
Income	Under $50	53%
	$50-$99	90%
	$100+	95%

Base: All Respondent (n=450)

Q: Do you have access to the Internet, either at home or at work?

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Use of Sources of UGC

- **Nearly half of all U.S. consumers mention that they have gotten information or advice in the past year from any of many different sources of UGC before making a purchase of a product or service. The most common UGC is consumers reviews or comments on products that where purchased online.**

% of Respondents Who Mention Getting Information From...

48%	42%	23%	23%	17%
Any...	Customer reviews or comments about products purchased online at sites such as Amazon.com	User opinions posted on product forums, blogs or online discussion groups at sites such as Cnet.com	Comments on sites for complaints about products or services such as Complaints.com	Opinions expressed by others on social networking sites such as Facebook.com

Base: All Respondent with Internet Access (n=327)

Q: In the past year, have you gotten online information or advice before purchasing a product or service from...?

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Use of Sources of UGC by Age

- **Consumers in the higher consumption ages (35-54), followed by younger consumers (18-34) report a higher incidence of all UGC sources than older consumers over the age of 55. While consumers age 35-54 report higher incidence for customer reviews, younger consumers rely more on opinions on social networks such as facebook.com.**

<u>% of Respondents Who Mention Getting Information From...</u>

■ 18-34   ■ 35-54   ▓ 55+

73% 76%

70%

54%

47%

41%

43%

35%

36% 36%

36%

25%

21%

16%

15%

Any...

Customer review/ comments about products bought online

User opinions on product forums/ bogs or discussion groups

Comments on site for complaints

Opinions on social networks
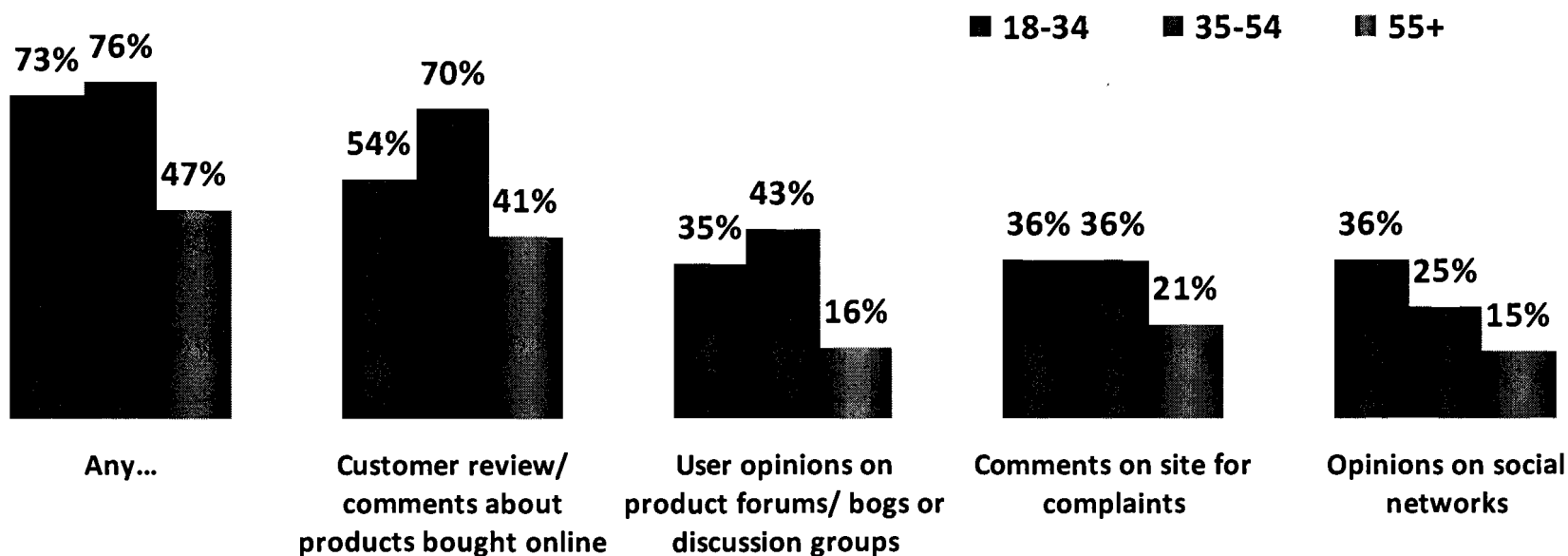
Base: All Respondent with Internet Access (n=327)

Q: In the past year, have you gotten online information or advice before purchasing a product or service from...?

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Use of Sources of UGC by Education

- **Incidence of User Generated Content before purchasing a product or service increases as the level of education increases. The biggest difference is in use of customer review sites and user opinion forums/blogs or discussion groups.**

% of Respondents Who Mention Getting Information From...

■ No College   ■ Some College   ■ College Grad

Any...
- 51%
- 64%
- 76%

Customer review/ comments about products bought online
- 36%
- 57%
- 69%

User opinions on product forums/ blogs or discussion groups
- 18%
- 36%
- 40%

Comments on site for complaints
- 25%
- 32%
- 36%

Opinions on social networks
- 18%
- 29%
- 24%

Base: All Respondent with Internet Access (n=327)

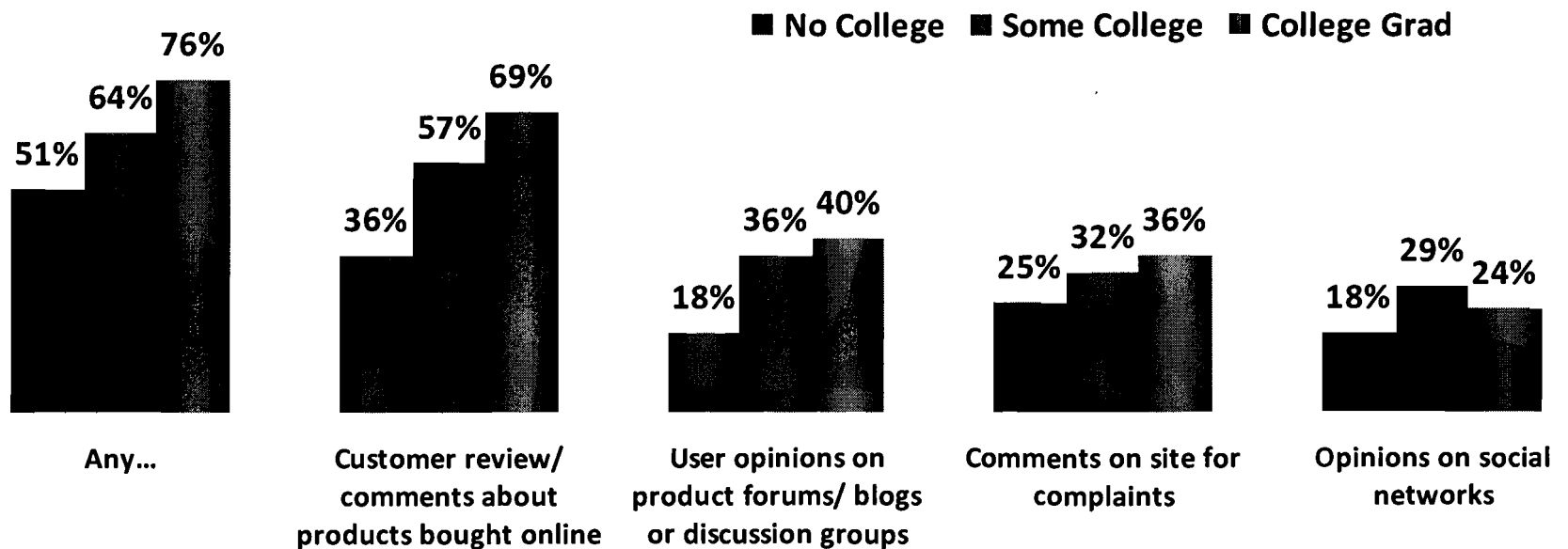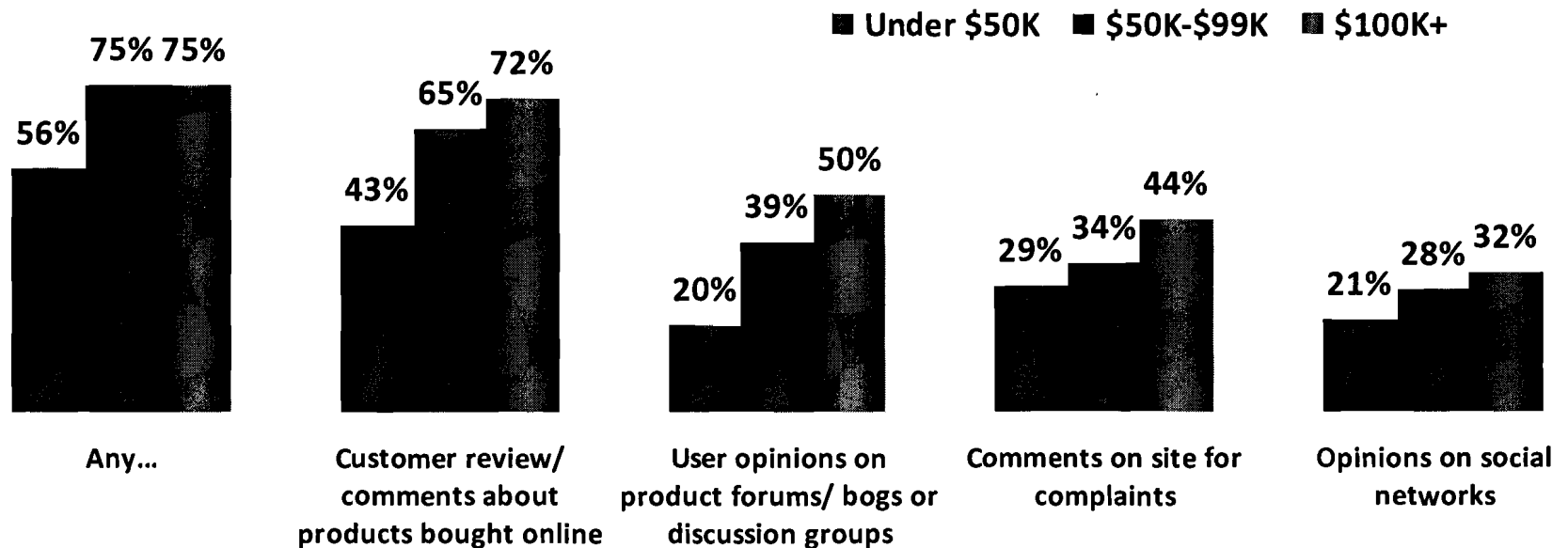*Q: In the past year, have you gotten online information or advice before purchasing a product or service from...?*

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Use of Sources of UGC by Income

Similarly, incidence of User Generated Content before purchasing a product or service increases as the level of income rises. Again, the biggest difference is in use of customer review sites and user opinion forums/blogs.

% of Respondents Who Mention Getting Information From...

■ Under $50K ■ $50K-$99K ▨ $100K+

	Any...	Customer review/ comments about products bought online	User opinions on product forums/ bogs or discussion groups	Comments on site for complaints	Opinions on social networks
Under $50K	56%	43%	20%	29%	21%
$50K-$99K	75%	65%	39%	34%	28%
$100K+	75%	72%	50%	44%	32%

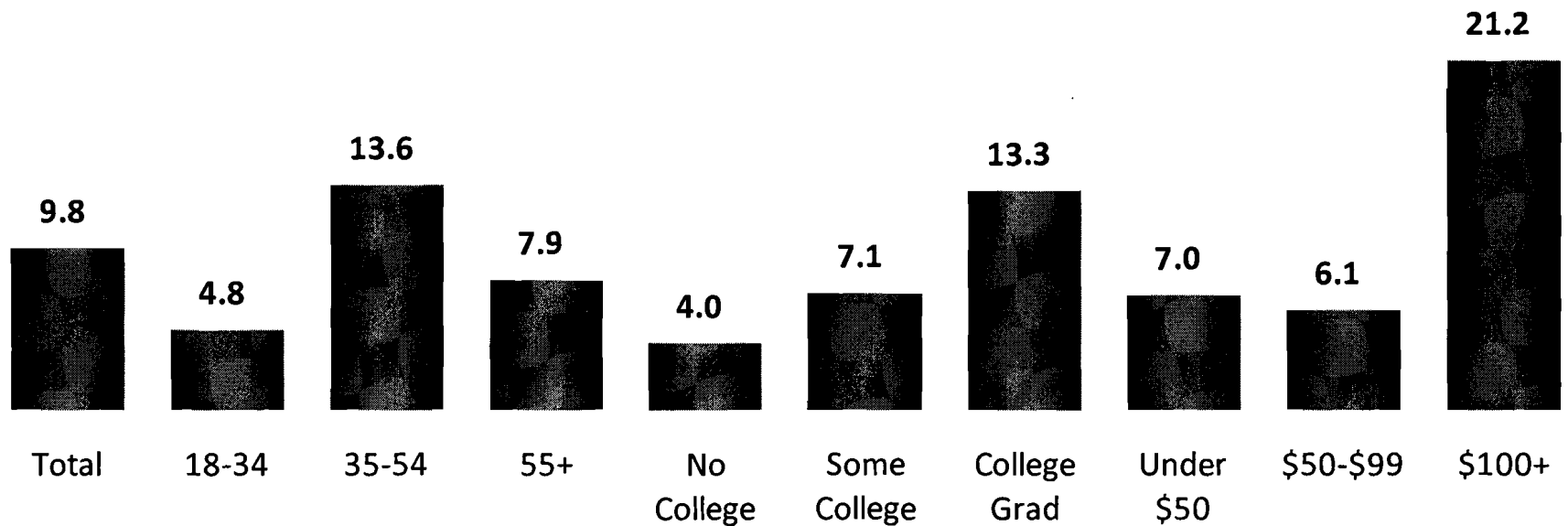**Base: All Respondent with Internet Access (n=327)**

Q: In the past year, have you gotten online information or advice before purchasing a product or service from...?

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Frequency of Use of UGC

- **The frequency of use of User Generated Content is significantly highest among consumers between the age of 35-54, those with higher educations and higher household incomes.**

Average Number of Times Used in the Past 3 Months...

Total	18-34	35-54	55+	No College	Some College	College Grad	Under $50	$50-$99	$100+
9.8	4.8	13.6	7.9	4.0	7.1	13.3	7.0	6.1	21.2

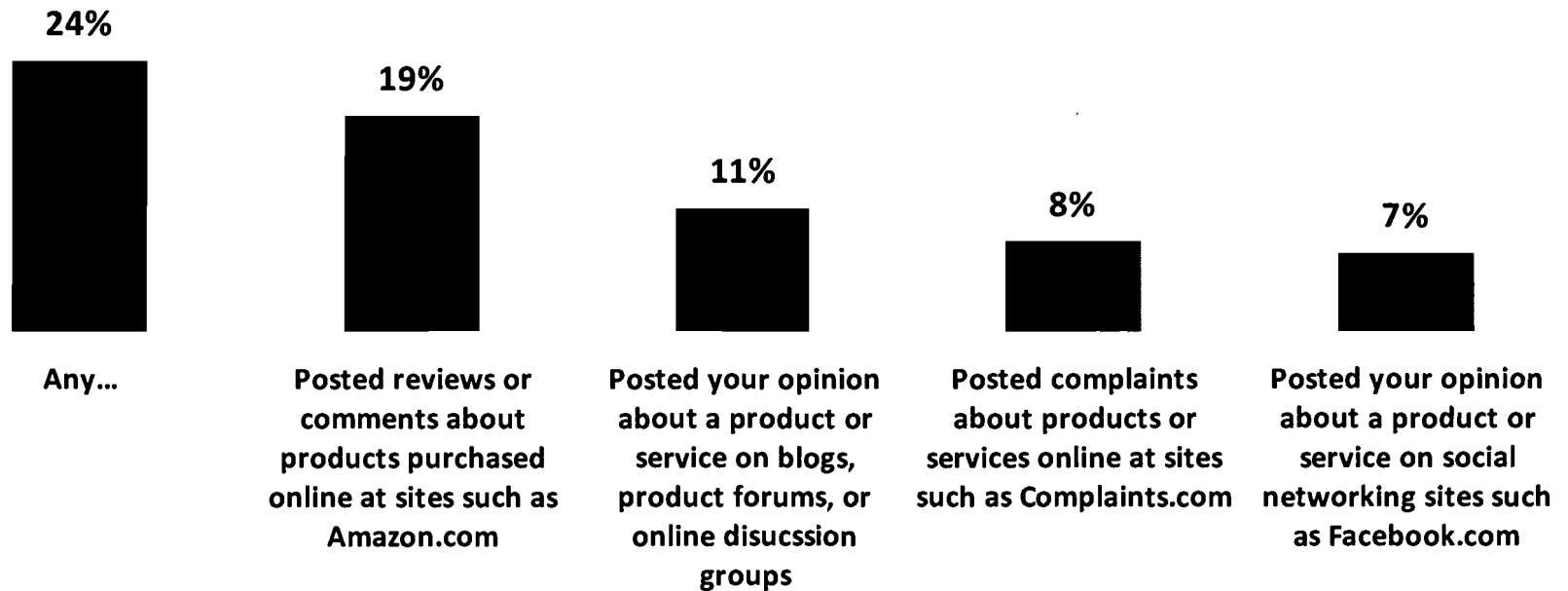**Base: All Respondent with Internet Access Who Used UGC (n=216)**

Q: On about how many separate occasions in the past three months have you read consumer-posted comments and reviews of these types about products you are considering purchasing?

Posting of User Generated Content

- **While incidence of past year use of UGC is substantially high among consumers in the US, the incidence of posting UGC is lower but still significant. One-in-four consumers with access to the Internet mention they posted UGC in the past year.**

% of Respondents Who Mention Posting User Generated Content at...

24%	19%	11%	8%	7%
Any...	Posted reviews or comments about products purchased online at sites such as Amazon.com	Posted your opinion about a product or service on blogs, product forums, or online disucssion groups	Posted complaints about products or services online at sites such as Complaints.com	Posted your opinion about a product or service on social networking sites such as Facebook.com

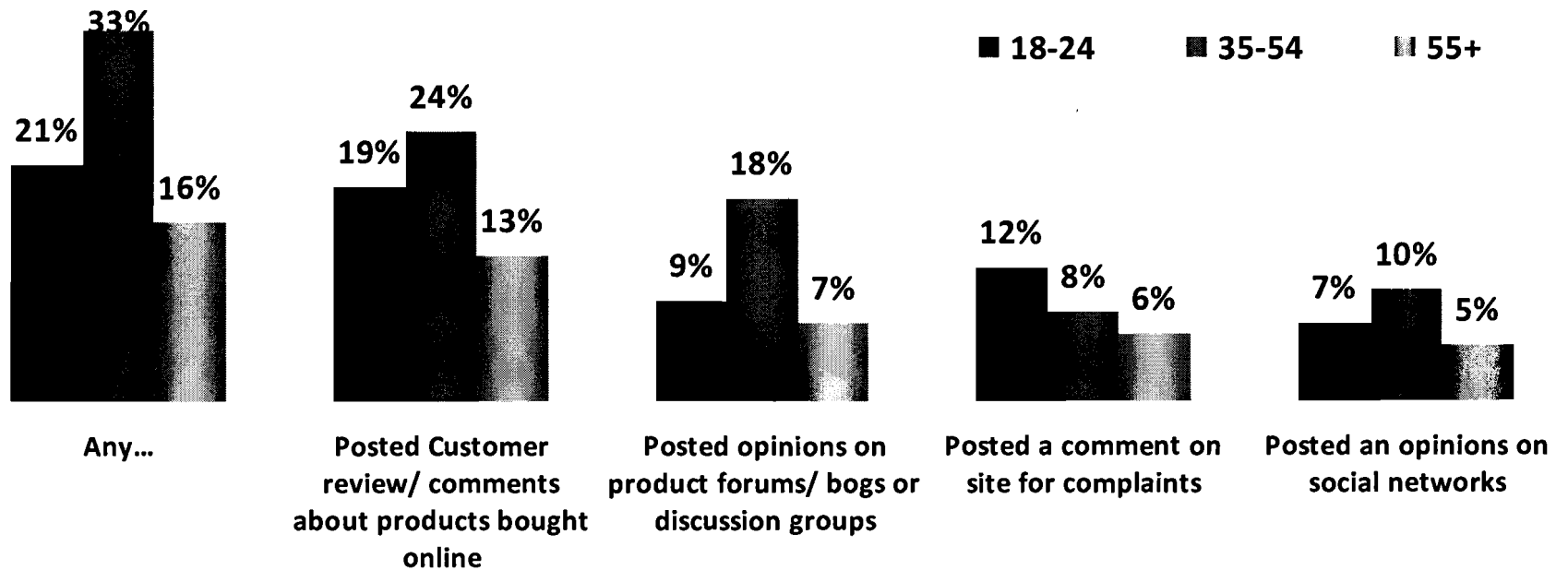**Base: All Respondent with Internet Access (n=327)**

Q: And in the past year, have you yourself...?

Posting of User Generated Content by Age

- **As was the case in use of UGC, posting of UGC is significantly higher among consumers in the "high consumption" age groups. However, younger consumers are more likely to post a complaint or comment on complaint sites.**

% of Respondents Who Mention Posting User Generated Content on...

■ 18-24   ■ 35-54   ⅡⅠ 55+

33%	
21%	
	16%

Any...

24%
19%
13%

Posted Customer review/ comments about products bought online

18%
9%
7%

Posted opinions on product forums/ bogs or discussion groups

12%
8%
6%

Posted a comment on site for complaints

10%
7%
5%

Posted an opinions on social networks

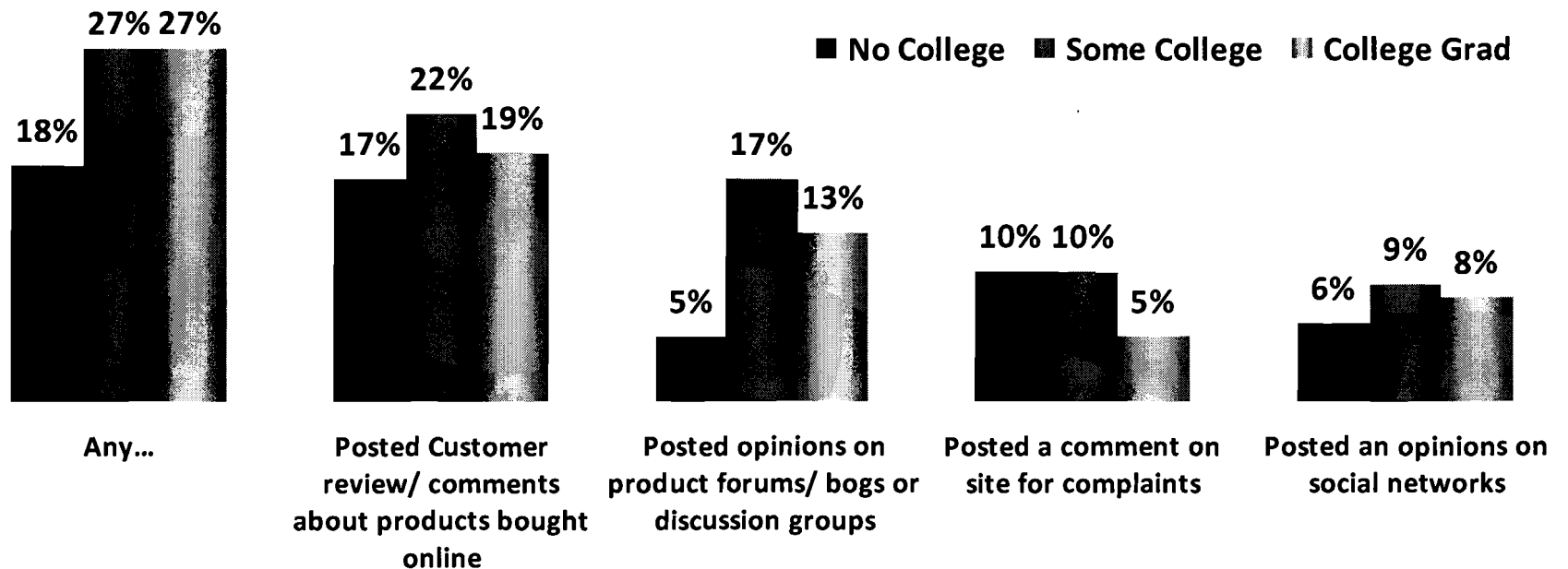**Base: All Respondent with Internet Access (n=327)**

Q: And in the past year, have you yourself...?

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Posting of User Generated Content by Education

- **Posting of UGC is highest among consumers with some college and college grads. However, college grads are less likely to post on customer reviews or opinion forums/ blogs than consumers with some college exposure.**

% of Respondents Who Mention Posting User Generated Content on...

■ No College   ■ Some College   ⫼ College Grad

	Any...	Posted Customer review/ comments about products bought online	Posted opinions on product forums/ bogs or discussion groups	Posted a comment on site for complaints	Posted an opinions on social networks
No College	18%	17%	5%	10%	6%
Some College	27%	22%	17%	10%	9%
College Grad	27%	19%	13%	5%	8%

Base: All Respondent with Internet Access (n=327)
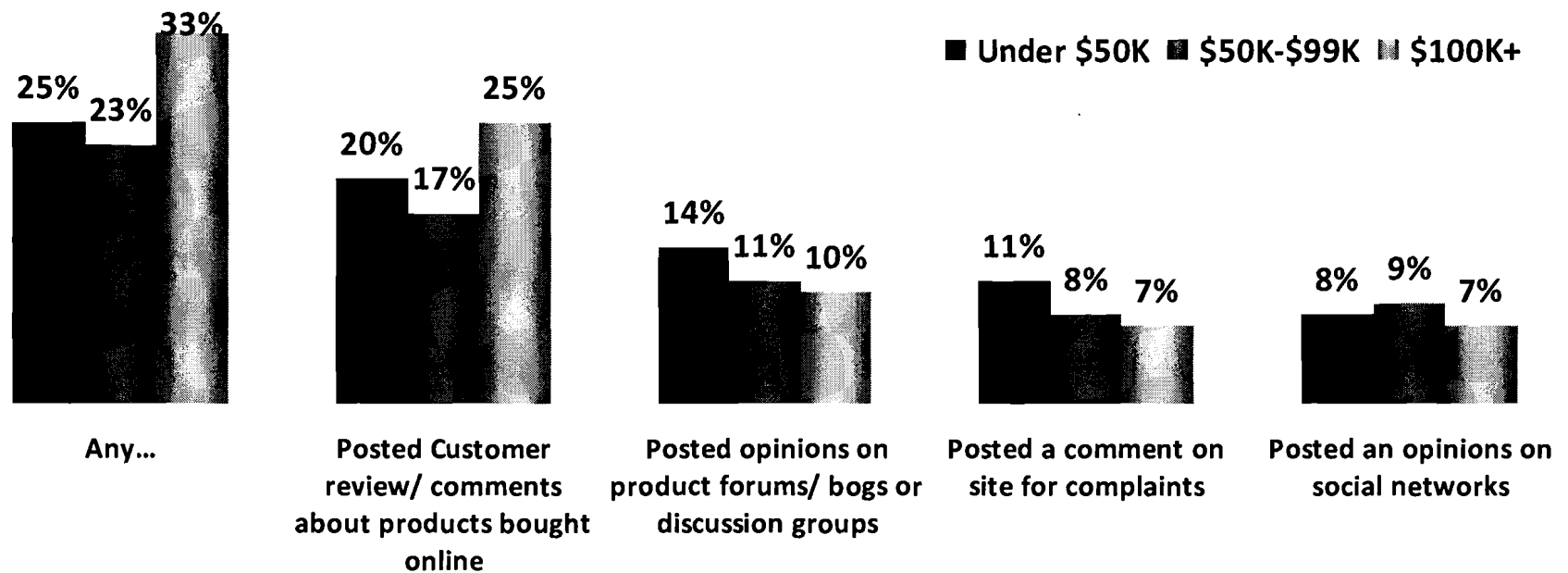
Q: And in the past year, have you yourself...?

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Posting of User Generated Content by Income

- **Incidence of posting User Generated Content in the past year increases as the level of income goes up. The biggest difference is in posting on customer review sites where higher income households have higher involvement.**

% of Respondents Who Mention Posting User Generated Content on...

■ Under $50K ■ $50K-$99K ⊞ $100K+

Any...
25% 23% 33%

Posted Customer review/ comments about products bought online
20% 17% 25%

Posted opinions on product forums/ bogs or discussion groups
14% 11% 10%

Posted a comment on site for complaints
11% 8% 7%

Posted an opinions on social networks
8% 9% 7%

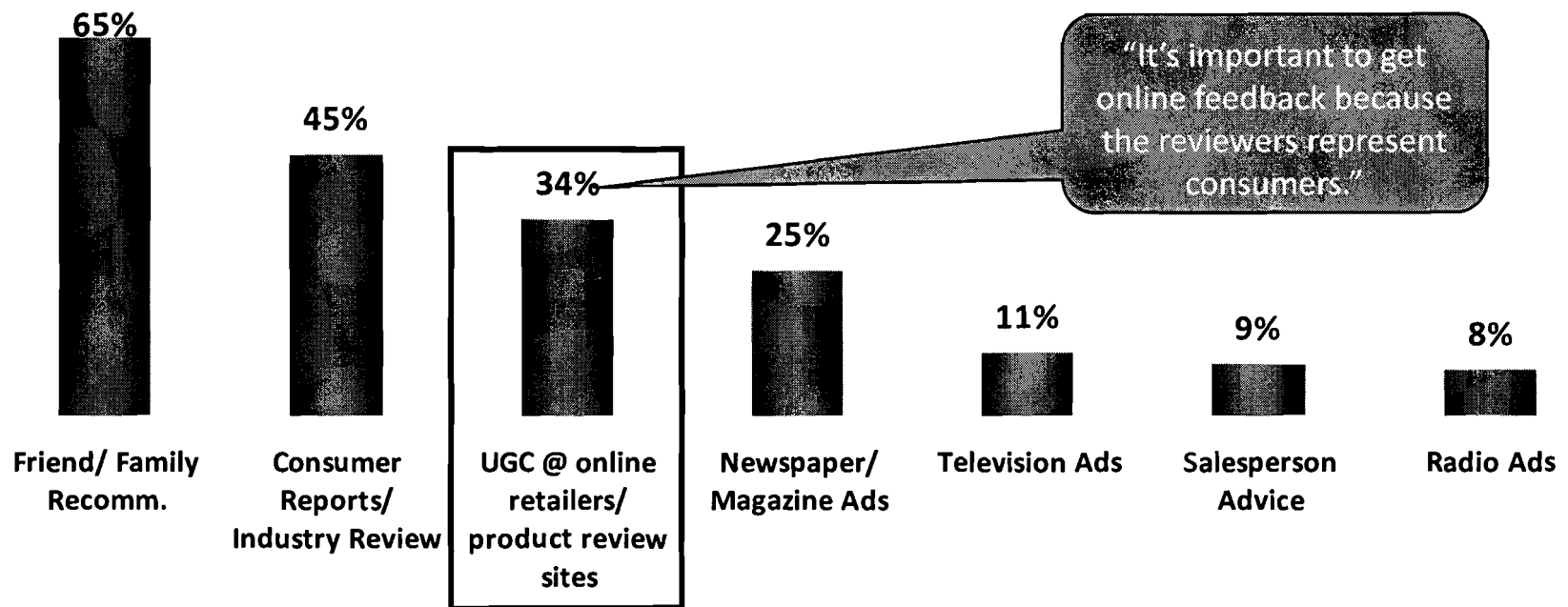**Base: All Respondent with Internet Access (n=327)**

Q: And in the past year, have you yourself...?

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Information Influence on Purchase Decision

- Trailing only "word of mouth" and "consumer/industry report," "User Generated Content" is the third most influential source of information for consumers when making a purchase decision. Nearly one-third of consumers say that UGC is "Extremely/Very" influential when making a purchase decision.

% of Respondents Who Mention Source is Extremely/Very Influential...

"It's important to get online feedback because the reviewers represent consumers."

65%	45%	34%	25%	11%	9%	8%
Friend/ Family Recomm.	Consumer Reports/ Industry Review	UGC @ online retailers/ product review sites	Newspaper/ Magazine Ads	Television Ads	Salesperson Advice	Radio Ads

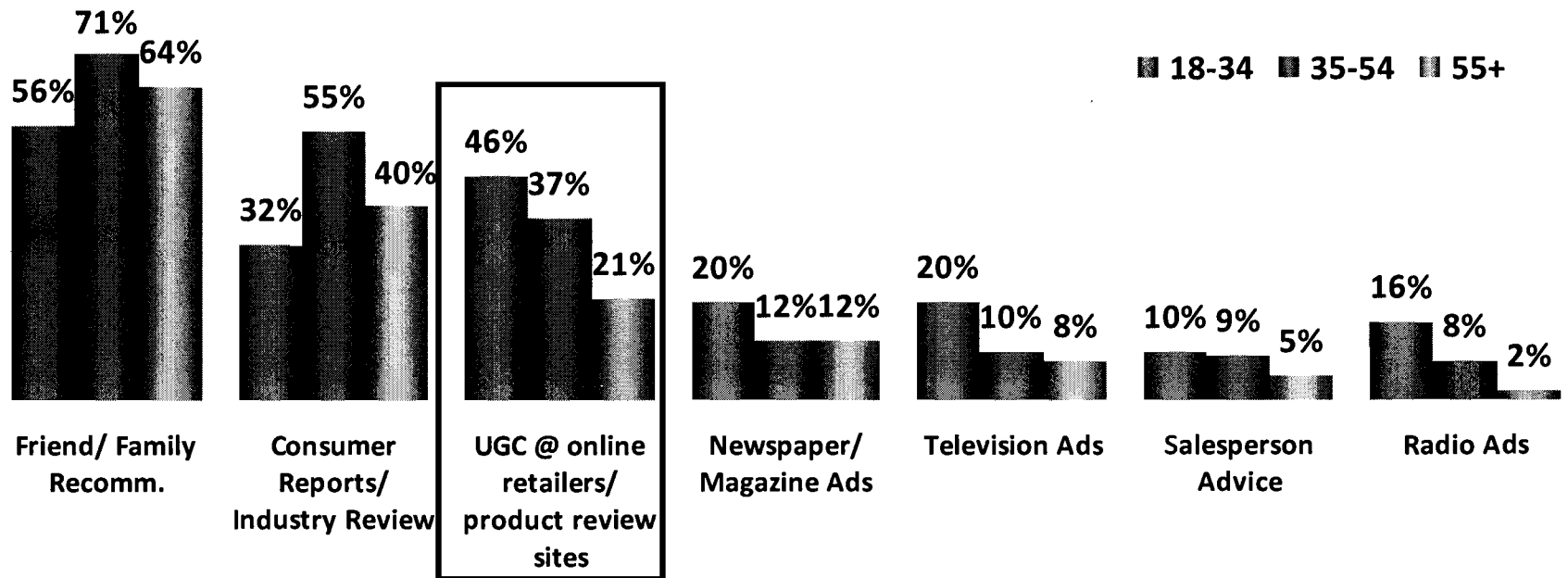**Base: All Respondent with Internet Access (n=327)**

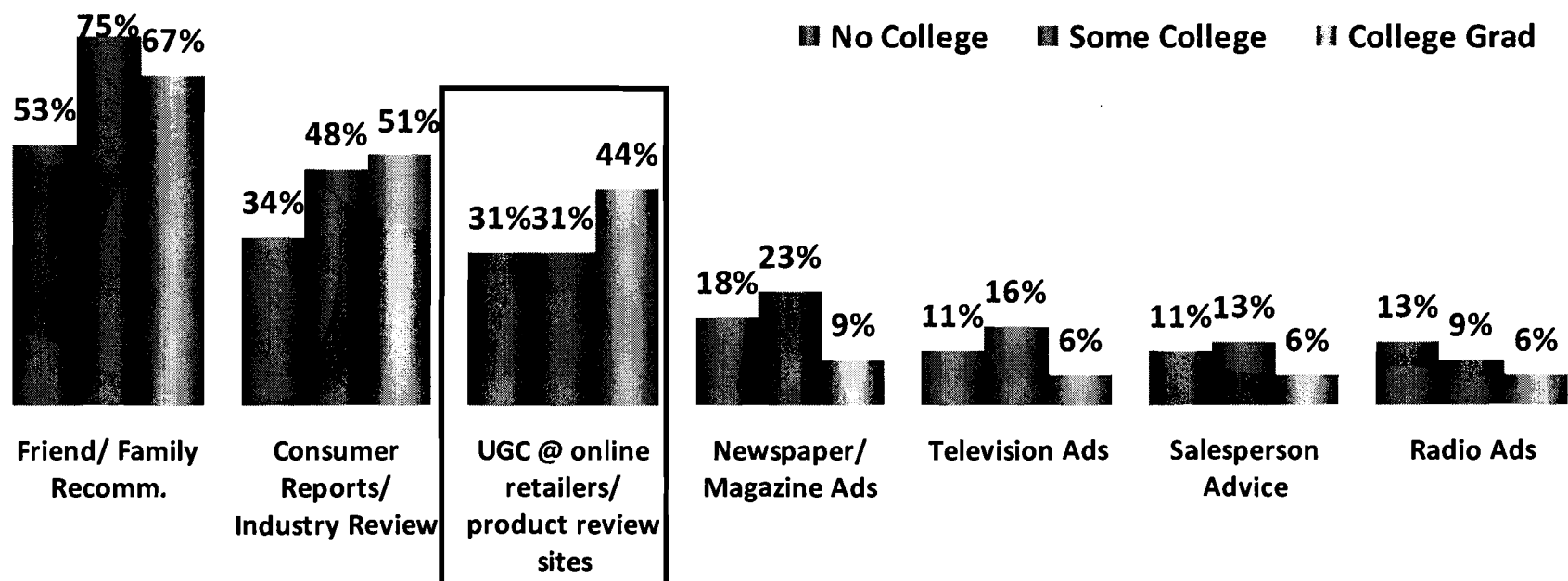*Q: How influential would you say each of the following is when you are making a purchase decision?*

Information Influence on Purchase by Age

- **Younger consumer are significantly more likely than older consumers to mention that UGC is "Extremely/Very" influential when making a purchasing decision. Conversely, older consumers rely more on word of mouth and consumers/industrial reports than younger consumers.**

% of Respondents Who Mention Source is Extremely/Very Influential...

Legend: ▨ 18-34 ▪ 35-54 ▨ 55+

Category	18-34	35-54	55+
Friend/ Family Recomm.	56%	71%	64%
Consumer Reports/ Industry Review	32%	55%	40%
UGC @ online retailers/ product review sites	46%	37%	21%
Newspaper/ Magazine Ads	20%	12%	12%
Television Ads	20%	10%	8%
Salesperson Advice	10%	9%	5%
Radio Ads	16%	8%	2%

Base: All Respondent with Internet Access (n=327)

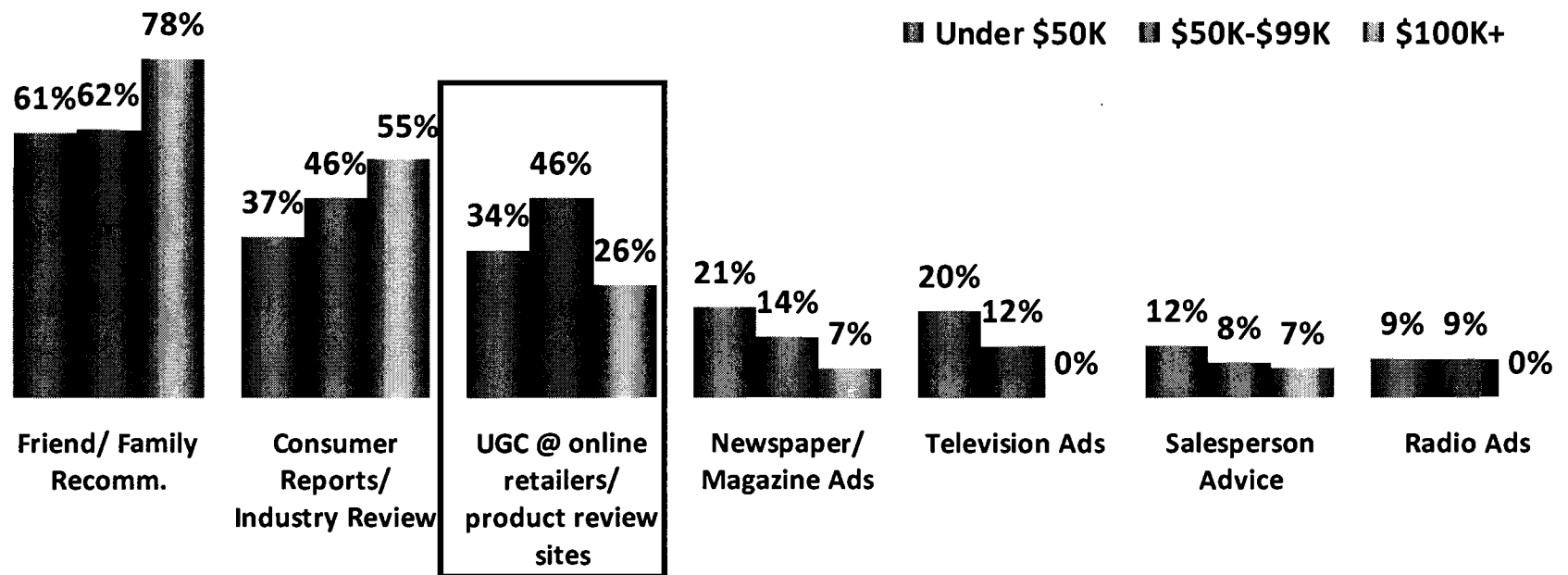*Q: How influential would you say each of the following is when you are making a purchase decision?*

Information Influence on Purchase by Education

- **Similarly, those with higher educations mention being more influenced by UGC than consumers with lower than average education levels. College grads are significantly more likely to by influenced by UGC.**

% of Respondents Who Mention Source is Very/Extremely Influential...

■ No College   ■ Some College   ⊞ College Grad

Chart data (No College / Some College / College Grad):

Category	No College	Some College	College Grad
Friend/ Family Recomm.	53%	75%	67%
Consumer Reports/ Industry Review	34%	48%	51%
UGC @ online retailers/ product review sites	31%	31%	44%
Newspaper/ Magazine Ads	18%	23%	9%
Television Ads	11%	16%	6%
Salesperson Advice	11%	13%	6%
Radio Ads	13%	9%	6%

Base: All Respondent with Internet Access (n=327)

Q: How influential would you say each of the following is when you are making a purchase decision?

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Information Influence on Purchase by Income

- **Contrary to what might be expected, consumers with incomes of over $100K are less likely to be influenced by UGC than those with lesser incomes. However, UGC is a better way of reaching this key group than traditional advertising media television and radio ads.**

% of Respondents Who Mention Source is Very/Extremely Influential...

■ Under $50K   ■ $50K-$99K   ■ $100K+

	Friend/ Family Recomm.	Consumer Reports/ Industry Review	UGC @ online retailers/ product review sites	Newspaper/ Magazine Ads	Television Ads	Salesperson Advice	Radio Ads
Under $50K	61%	37%	34%	21%	20%	12%	9%
$50K-$99K	62%	46%	46%	14%	12%	8%	9%
$100K+	78%	55%	26%	7%	0%	7%	0%

Base: All Respondent with Internet Access (n=327)

Q: How influential would you say each of the following is when you are making a purchase decision?

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Top 4 Reasons for UGC Boom – Number 1

- Given the accessibility of the Internet across the U.S., the number one reason for the boom in consumer use of "User Generated Content" is that consumers are already online looking for information. As technology has advanced, the Internet as a source of knowledge has become a part of consumer every-day behavior.

1. Its accessible to nearly all...IT'S PART OF MY LIFE

"I'm online all the time. If I'm buying a higher ticket item, I'll Google it and read the blogs."

"I shop online, so I rely on consumer reviews because I'm not in-store to evaluate the product."

"They have some really good user reviews on various products. I like Amazon."

"I'm online all the time. If I'm buying a higher ticket item, I'll Google it and read the blogs."

Top 4 Reasons for UGC Boom – Number 2

- Consumers feel a level of "camaraderie" with UGC posters mainly because they feel some level of empathy with them...they are also consumers who live and breathe similar experiences with products and services.

2. Because it come from...CONSUMERS LIKE "ME"

They re more, like, for guidance, to help you. They re from average retail customers like yourself."

"I'm reading them from beginning to end of the purchase cycle. I'm always reading the latest reviews."

"It's helpful when the consumer, not the manufacturer, is reviewing the product because clearly there's a bias."

"I look at consumer reviews because the technology part is less tangible than how others think the TV actually works."

- Regardless of the perceived level of confidence in a product choice, there always exists some level of insecurity in that decision among consumers. For many consumers, UGC provides that final litmus test to feeling that a right choice was made or the wrong one avoided.

3. Many consumers use it as a...LITMUS TEST

"Other consumers are able to point out things that you never would have thought about before buying the product, so it made me rethink my decision."

" I was between two or three cameras and a couple of the reviews were saying that the buttons aren't great or it's too small and it caused me to go the other way. Two had some negativity and the other on didn't, so I got the one that didn't have it (negativity)."

"I like it (reviews) when they have pros and cons. They might say that it's average and I'll purchase that product because I only need average."

"A good review might affirm a decision I've already made, but if they're terrible, you've lost me."

Top 4 Reasons for UGC Boom – Number 4

- While use of "User Generated Content" is common place among U.S. consumers, it's just a piece (albeit an increasingly important piece) of the puzzle of information that influences consumers of making a purchasing decision. Consumers use it with other information that is available.

4. Use with other sources...NOT THE END ALL (YET!)

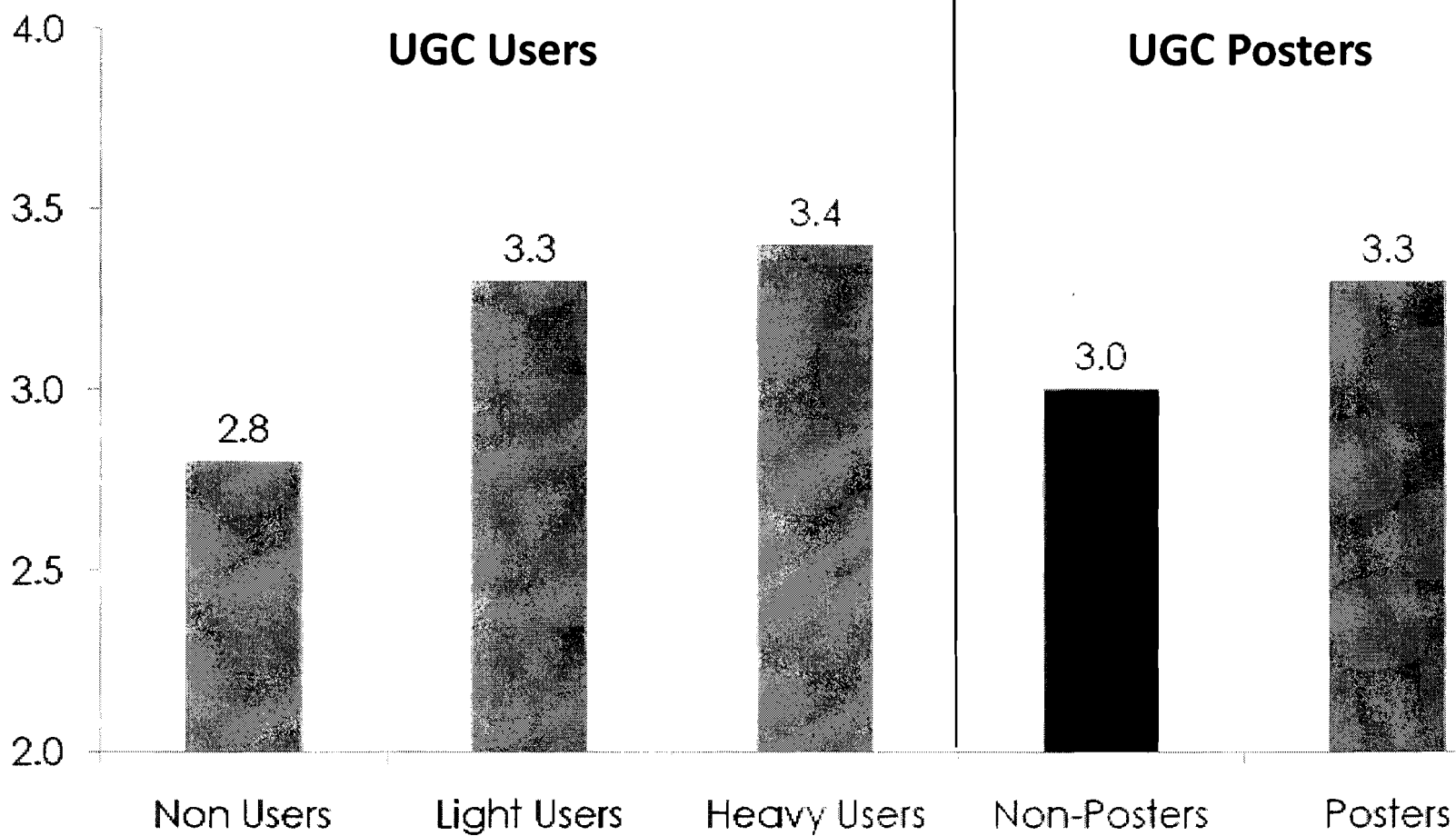I ll read it to get a sense, but I m not going to base my entire decision on it.

"I'll use it with recommendations from friends and research."

"I always want to hear reviews about what I'm going to buy or where I'm going to eat. That just has do with being smarter about what you're purchasing and where you're putting your money."
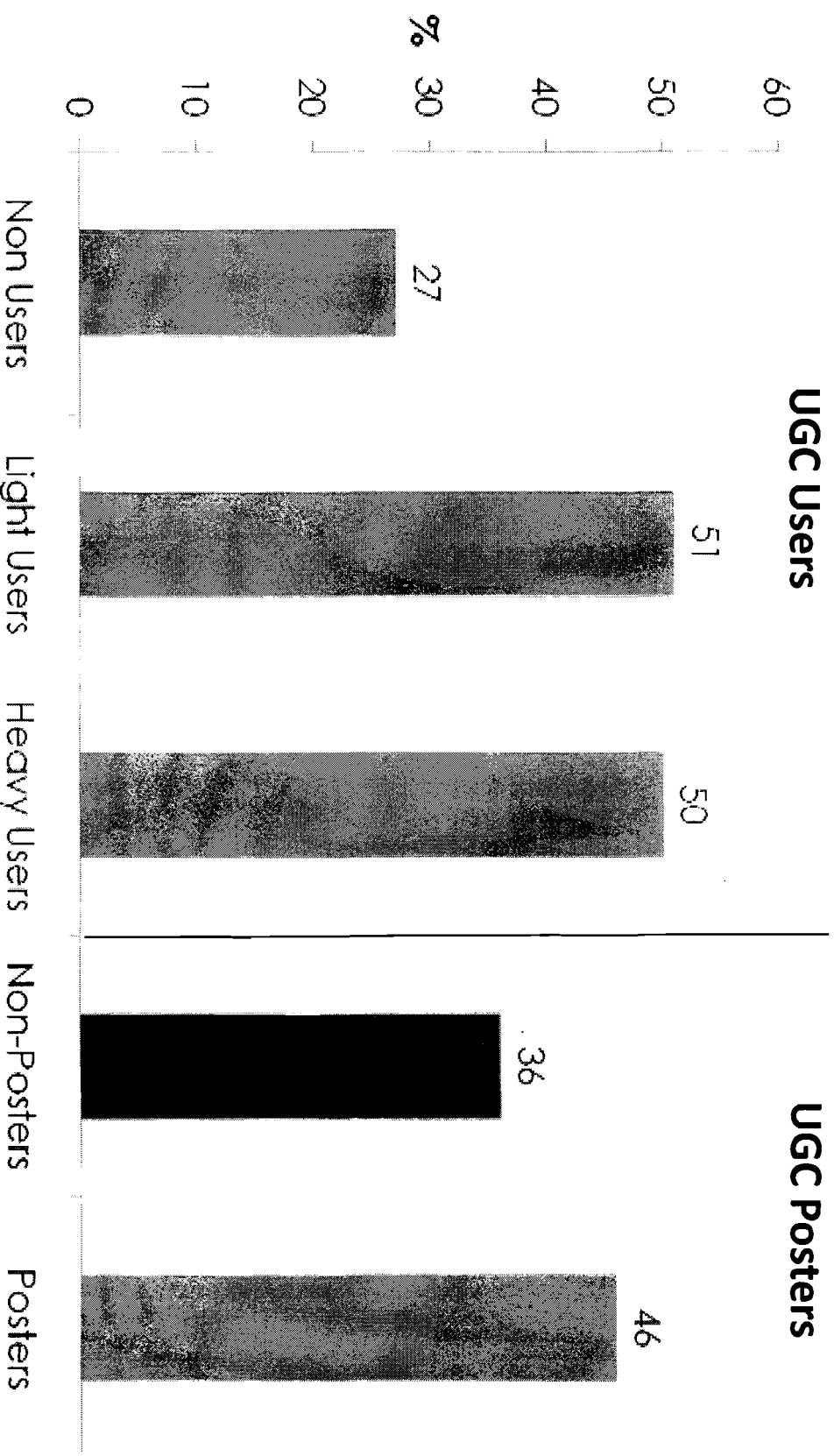
"Sometimes I'll go to the store to see what they have and then take information from the store and do research online...before I make a purchase, I check all of my sources."
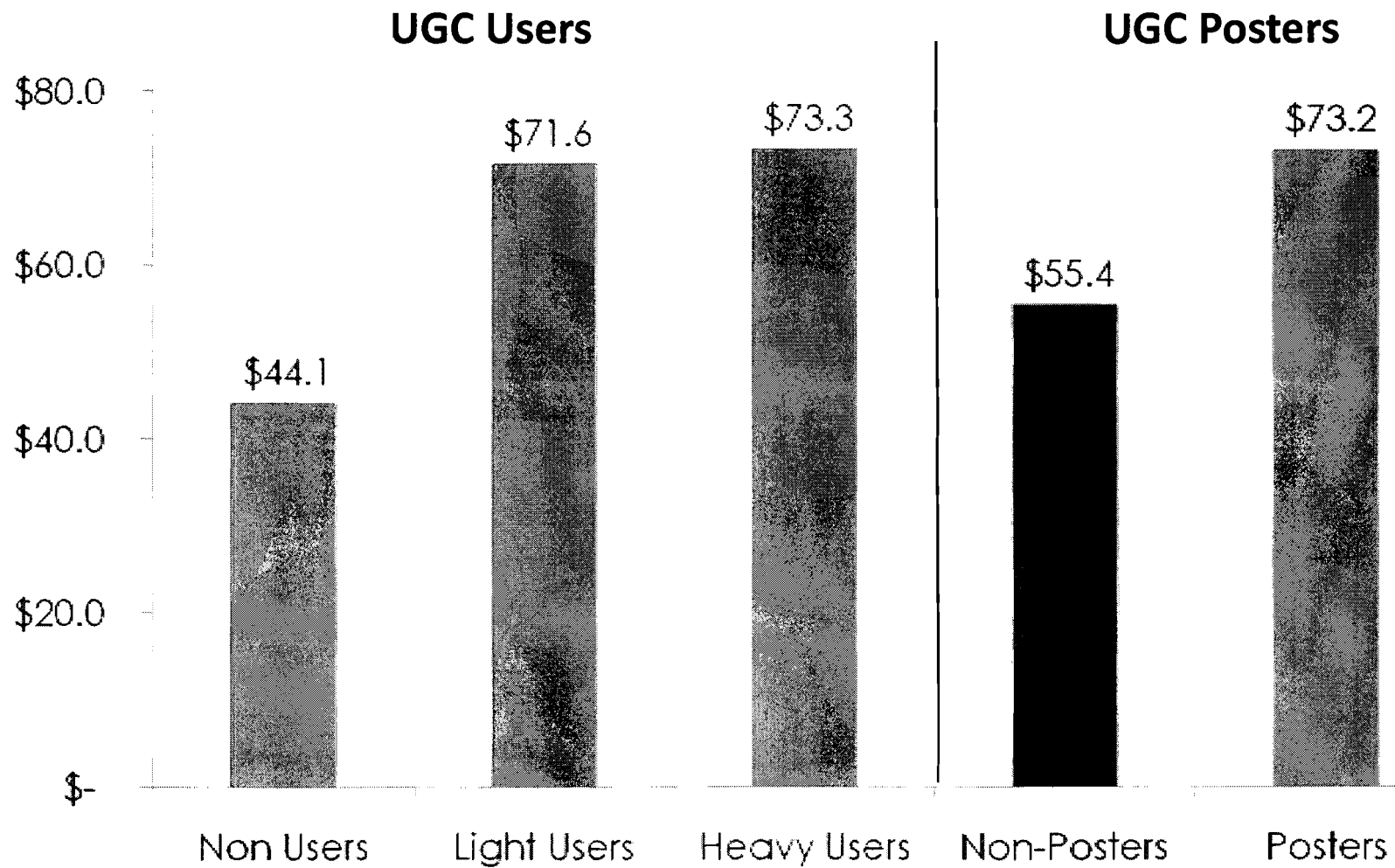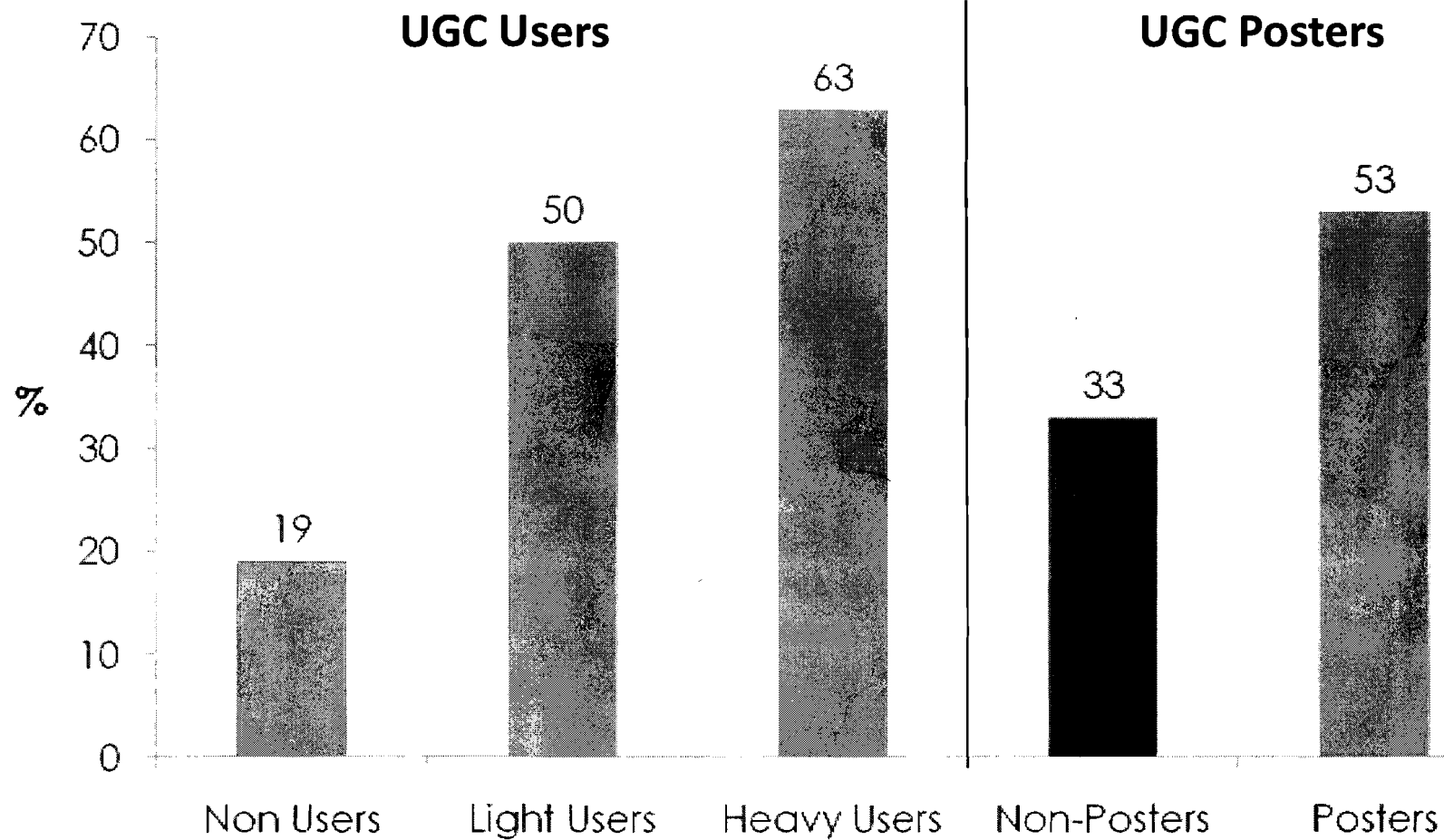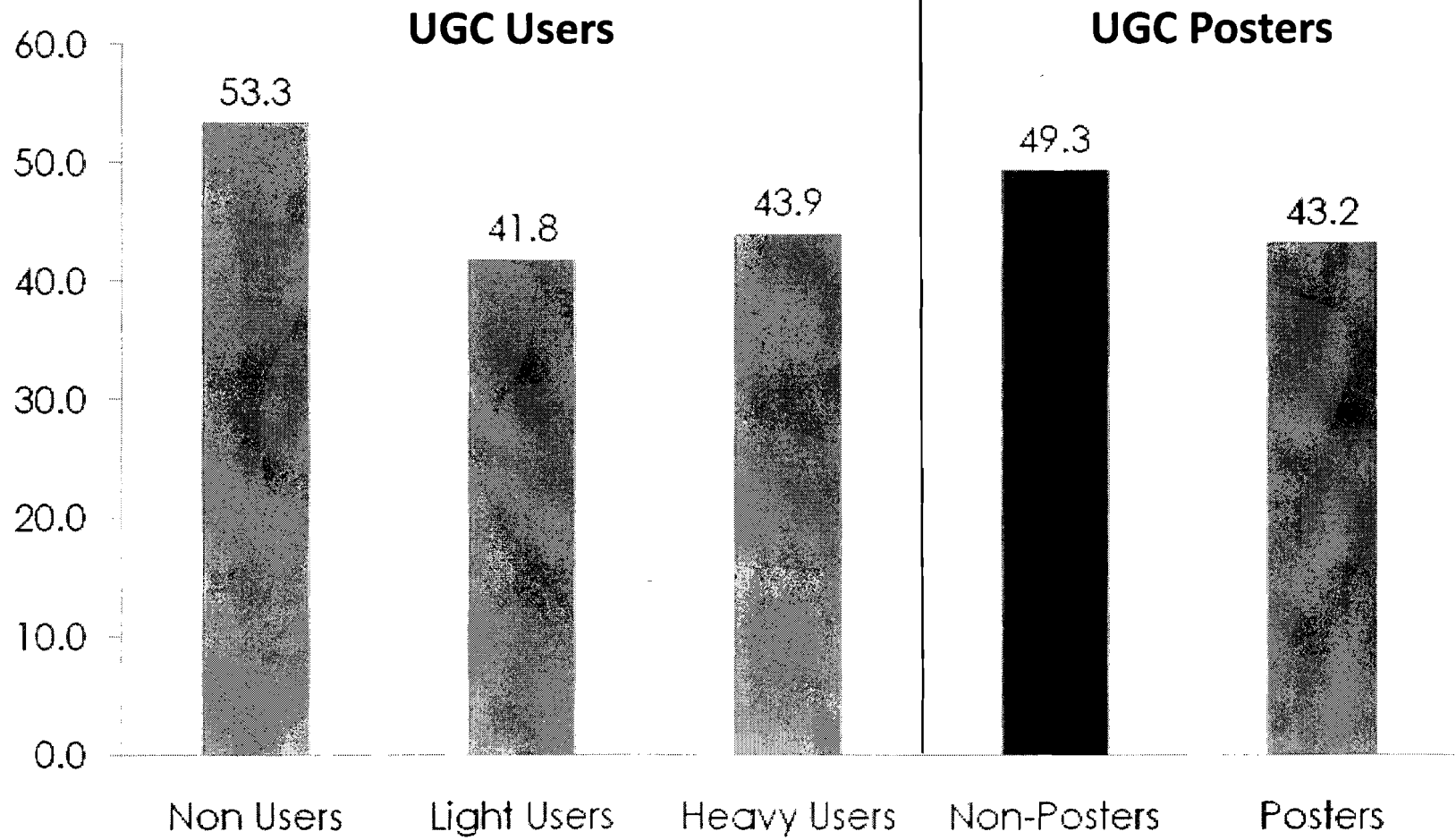
Average Size of Household

Presence of Children

UGC Users

Non Users	Light Users	Heavy Users
27	51	50

UGC Posters

Non-Posters	Posters
36	46

Average Family Income (1,000s)

Education (% College Grad Plus)

Average Age

Gender (% Male)

UGC Users

UGC Posters

Non Users: 47	Non-Posters: 50
Light Users: 51	Posters: 50
Heavy Users: 57	