

# Online relationship formation and Avatars

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Group A

## The Articles

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Kozlenkova, I. & Palmatier, R. & Fang, E. & Xiao, B & Huang, M. (2017)  
**Online relationship formation.** *Journal of Marketing*, 81(3): 21-40.

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Gammoh, B. & Jimenez, F. & Wergin, R. (2018) **Consumer attitudes toward human-like avatars in advertisements: The effect of category knowledge and imagery.** *International Journal of Electronic Commerce*, 22(3): 325-348.

# Role of relationships online

- Customers purchase increasingly more products and services online → online shopping is evolving from a more transactional exchange to a more relational exchange
- Online relationships are the key to growing online sales
  - They enhance customers' shopping experience, provide socially relevant product and seller information and reduce purchase uncertainty

# Online relationship formation

Three studies conducted on online relationship building (buyer initiated, seller initiated, managerially actionable strategies)

When it comes to online relationship formation and its payoffs, three aspects are critical: (1) risk-reducing signals, such as communication, reputation, and relational observation; (2) the level of the buyer's experience; and (3) the relationship type (unilateral vs. reciprocal)

**TABLE 6**  
**Emerging Theory of Online Relationships: Research Tenets**

Unique Online Characteristics	Source of Unique Characteristics	Supporting Evidence
<b>Tenet 1: Online anonymity makes any risk-reducing signals highly influential for relationship formation, allows online relationships to form and end quickly, and supports relationship formation and influence among dissimilar partners.</b>		
Online relationships are more anonymous: Partners have limited information or certainty regarding the identity of potential online partners (Rotman 2010).	<ul style="list-style-type: none"> <li>• Online relational partners can be located anywhere in the world.</li> <li>• Online relationships lack rich, face-to-face interactions and other nonverbal cues about trustworthiness of an online relational partner (Rovie 2013).</li> </ul>	<ul style="list-style-type: none"> <li>• 96% of reciprocal relationships formed in only 3 days (Study 3).</li> <li>• Studies show increased risk of opportunism (Rotman 2010).</li> <li>• Social norms are weaker online (Wallace 1999).</li> </ul>
<b>Tenet 2: The ease of forming and maintaining online unilateral relationships allows customers to develop an extensive and diverse portfolio of unilateral relationships, which represents an important source of insight for their decision making.</b>		
Unilateral relationships are easier to form and maintain online: many online relationships have a stable, unilateral structure, in which a relationship partner never reciprocates but remains in the unilateral relationship as a follower (Trier and Richter 2015).	<ul style="list-style-type: none"> <li>• Unilateral relationships have lower formation and maintenance costs (effort, time, emotion) online.</li> <li>• Offline unilateral relationships become either bilateral as social norms make partners reciprocate relational advances, even when not desired (Cialdini 2009), or else disintegrate if one partner's failure to reciprocate causes the other partner to avoid future interactions.</li> </ul>	<ul style="list-style-type: none"> <li>• A typical online user has more unilateral than reciprocated relationships (Study 2).</li> <li>• There is less social pressure to reciprocate relational advances in a computer-mediated environment (Trier and Richter 2015).</li> <li>• There are fewer barriers to relationship formation and termination online (McKenna, Green, and Gleason 2002).</li> </ul>
<b>Tenet 3: Reciprocated online relationships have a strong effect on customers' psychological commitment and financially relevant behaviors.</b>		
Tenets 1 and 2 outline key differences between online and offline relationships; Tenet 3 highlights a commonality that is not widely acknowledged but appears to be fundamental to building relationships online (i.e., reciprocity).	<ul style="list-style-type: none"> <li>• Because most online relationships are unilateral, reciprocation may take on added significance; it helps a buyer differentiate a particular relationship among the vast number of unilateral relationships.</li> <li>• Feelings of reciprocity are fundamental and represent a hardwired social rule; they translate across cultures and can be felt even toward inanimate objects, such as computers (Nass and Yen 2010).</li> </ul>	<ul style="list-style-type: none"> <li>• Impact of risk-reducing signals is enhanced when reciprocating a seller's outreach versus initiating a relationship (Study 1).</li> <li>• Reciprocal relationships lift sales (in dollars) about 60% more than do buyer and three times more than do seller-unilateral relationships (Study 2).</li> <li>• Reciprocal relationships have the longest impact on sales: seven days versus one and four days for seller- and buyer-unilateral relationships, respectively (Study 2).</li> </ul>

# Human-Like Avatars in Advertisements

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unlike cartoons, avatars aim to create a virtual replica of a human like sales representative

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“A key premise in these research efforts is that the use of avatars humanizes e-commerce, and increases the social presence and interactivity of the online environments (e.g., companies’ websites). Hence, avatars enhance the overall online consumer experience [17, 24, 31, 65].”

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fear of uncanny valley

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“The findings suggest that human-like avatars are less likely to generate negative evaluations among consumers who are experts in the product category. For this market segment, avatar characters are not a main factor affecting consumer evaluations. The use of avatars can significantly reduce production cost and production time. However, advertisers should be wary that avatar characters will have a strong impact on novice or less knowledgeable consumers. For these consumers, the human-like avatars are likely to generate categorization tension and result in negative evaluations toward the ad. To minimize this effect, advertisers can encourage consumers to imagine the consumption experience.”

# In summary

Importance of reciprocal relationship: Avatars need to be accessible and approachable, not "creep customers out"

The needs that drive online relationships are similar in many ways to the needs that are satisfied by offline relationships: Human-like avatars with faces can be more efficient, since there is a more offline feel to the relationship thus making more experienced buyers feel more comfortable

Less experienced buyers are more likely to build relationships on signals, making avatars less effective in building completely new relationships