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## More Companies Pay Heed to Their 'Word of Mouse' Reputation

By NICHOLAS THOMPSON

**E**arly this year, the wrath of the World Wide Web rained down on Intuit when its TurboTax software programs displeased some customers, who then promptly posted their grievances all over Internet forums.

The velocity in the spread of those critical remarks created a crisis for the company and a colorful case study for the budding academic field that examines the dynamic of online reputations.

In January, soon after TurboTax's release, angry customer reviews flooded Extremetech.com, CNET.com, Slashdot.org and many other sites that allow the public to contribute product reviews. Much of the criticism was aimed at antipiracy features in the software that made it hard for a customer to install the program on more than one computer and created the impression with some that Intuit was tracking users surreptitiously. On [Amazon.com](http://Amazon.com) one reviewer wrote, "This reeks to high heaven!" Comments descended from there.

Intuit's chief executive, Stephen M. Bennett, responded quickly by sending e-mail to angry customers assuring them that Intuit was not spying on them. He managed to halt a brewing boycott.

A more positive example of online reputation-building was the box office success of which received a slew of favorable early reviews on Web sites, which may have helped the film compensate for a small advertising budget.

Although it is difficult to quantify how much online reviews affect sales of particular products, the Internet's ability to quickly tarnish or gild reputations has interested businesses for many years.

Academic interest in the field has grown recently, spurred by the availability of more data as the Internet ages and by recognition of the importance of understanding the dynamics of online reputations.

In late April, the Sloan School of Management at the Massachusetts Institute of Technology was host to a conference, financed by the National Science Foundation, on "reputation mechanisms in online communities." At the conference, academic experts in game theory, sociology and marketing discussed how "word of mouse" influences businesses as well as how [eBay](http://eBay) and other e-commerce companies can better manage the quality of the information the public posts on Web sites and reduce the risk of fraud online.

"The data are a researcher's playground," said Paul Resnick, an associate professor at the University of

Michigan's School of Information and one of the organizers of the M.I.T. conference.

Chris Dellarocas, an M.I.T. professor and an organizer of the conference, said he was interested in the potential of online reputations "to transform longstanding institutions like the legal system, the traditional media and advertising."

Mr. Resnick runs a Web site devoted to research looking at online reputations ([databases.si.umich.edu/reputations/](http://databases.si.umich.edu/reputations/)). Nearly half of the more than 100 papers on the site have been added in the first five months of this year.

Academic scholars wrote many of the papers, but some come from corporate researchers. For example, Claudia Keser of [I.B.M. Research](#) submitted a paper that used principles of game theory to examine how a site like eBay can best measure the reputations of individual online sellers and buyers. I.B.M. financed the work, according to a spokeswoman, because it believes that kind of research will in the long term increase e-business.

The potential financial implications of online reputations are substantial. "The more consumers come to trust the opinions posted on online forums, the less effective traditional advertising will become in influencing consumer behavior," Mr. Dellarocas said.

Amazon.com, for example, has eliminated its entire budget for television and general-purpose print advertising, putting the money it saves into free shipping on qualifying orders over \$25.

"Word of mouth is still important because it reaches people who may not be e-commerce shoppers yet," said Bill Curry, a spokesman for Amazon. "Word of mouse is important because on the Web you can reach so many more people beyond your circle of friends."

In hopes of obtaining positive word of mouse, some companies send free products to prominent reviewers on such sites as [Epinions.com](#), even if those reviewers have no official credentials. Others use these reviews as promotion. [LapLink](#), a company specializing in file transfer products, lists an [Epinions](#) review from "lucie30" on its Web site, right between a review from [PC Magazine](#) and one from [ZDNet](#), a Web technology publication. Lucie30 ambiguously gives a location of "a small island in the intercoastal."

One reason online forums increasingly influence other institutions' reputations is that the forums themselves have developed sophisticated techniques for measuring the reputations of their contributors, thus controlling the jabber that often comes with the ease and anonymity of posting online.

[Epinions](#), which merged in early May with [DealTime](#), the shopping search engine, requires that reviews of products from dishwashers to novels come from registered users, exceed 100 words and pass screening for obscene and vulgar language. It also allows users to comment both on products and on individual reviews. Teams of experienced users monitor the site for anyone covertly plugging products for an employer.

[Epinions](#) also pays reviewers a small fee, based on how useful viewers found the review. The company measures that by tracking whether readers click over to a company's Web page or go on to read other reviews.

[Slashdot](#), a technology news portal, has an even more elaborate system, which provides a customized

list of postings for every viewer. The site measures how frequently someone contributes and how highly other users value those contributions. And among other features, it gives each user a "karma" rating, which then determines certain site privileges.

The formula is similar to the way game theory experts set up rules for systems intended to separate helpful from unhelpful responses and to ensure that participants in the game have sufficient incentive to be helpful. According to Rob Malda, Slashdot's founder, many of the ideas for the system came from Slashdot users with backgrounds in political science and game theory.

Though academic theories may explain how online reputations develop, business leaders may care more about the specific effects. Nirav Tolia, a co-founder of Epinions, said that online forums influenced companies only so far as they encouraged the marketing of better products.

But Scott Gulbransen, an Intuit spokesman, said that his company had become more attuned to the highly wired, predominantly male population that drives most online discussion forums.

"I think that, now, the power of the Internet is captured in the ability of everyday Americans to give their opinion on any product or event that they want," Mr. Gulbransen said. Next year, he added, before Intuit releases a new product, it will discuss possible changes with users of important online forums. The company will also eliminate the features that customers complained about angrily.