Unpacking the Wisdom of the Crowd and Friends:
The Role of Rater and Firm Expertise on Social Influences in Online Ratings

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Abstract

Consumers' online rating behaviors and post-purchase evaluations have received much attention due to the strong link between ratings and product sales. However, less is known about how social effects unfold in online ratings. The authors examine both crowd and friends' social influences on rating behavior and uncover the informational influence of user expertise and the signaling effects of firm expertise in online ratings. Using data from an online community comprising of 41,797 users rating over 5,138 products from 2,206 firms across 10 years, they estimate social influence using robust panel data methods. The results suggest that, although social multipliers are significant in the rating context, a more nuanced view is recommended. Highlighting the informational role of rater expertise, the positive effect of the crowd is weakened as the user gains expertise but the friend effect is amplified as user expertise increases. Further, the authors demonstrate that a firm's product line can act as a signal of expertise that weakens the positive influence of the social multiplier. This study highlights a more nuanced view of social multipliers and has implications to the practice of online reputation management, rating system design and firm product strategy.

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