

The Dynamics of eWOM and Business Outcomes: An Empirical Investigation of the Impact of Social Media on Box Office Revenue

Kacy K. Kim and Sukki Yoon

Abstract This study examines how online conversations as electronic word-of-mouth (eWOM) information via social media networks affect business outcomes. Using data from movie industry, our goal is to show how conversation quantity and quality, defined here as volumes and valence of conversations, on social network sites affect important business outcomes such as sales. Using a dynamic simultaneous equation system, we find that social media conversations can be precursor to and an outcome of sales. Aggregate data from multiple sources show how social media variables and other key variables—volume, valence, and other information related to movies such as YouTube movie trailer views, ratings, advertising, production budget, number of screens—contribute to box office and home video sales through eWOM via social media. Findings highlight that eWOM volume correlates with box office performance and home video sales: the more positive and strong the conversation, the higher the box office and home video sales. The study extends prior research on WOM and offers insight into how film studios can strategically manage social media to enhance box office and home video sales revenue.

K.K. Kim (✉)
Elon University, Elon, NC, USA
e-mail: kkim3@elon.edu

S. Yoon
Bryant University, Smithfield, RI, USA
e-mail: syoon@bryant.edu