Package 'WordOfMouth'

June 2, 2025

Type Package

Title Estimates Economic Variables for Word-of-Mouth-Campaigns

Version 1.2.0

Date 2025-06-02

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Description
Methods for estimating profit, profit-maximizing price, demand and consumer surplus of Word-of-Mouth-campaigns on mean-field networks.

License GPL-3

Depends R (>= 3.0.1), methods, stats, LambertW

LazyLoad yes

ByteCompile yes

Encoding UTF-8

RoxygenNote 7.3.2

NeedsCompilation no

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Repository CRAN

Date/Publication 2025-06-02 08:00:02 UTC

Contents

`WordOfMouth-package` *Estimates Economic Variables for Word-of-Mouth-Campaigns*

Description

This packages provides classes, methods and functions for modeling Word-of-Mouth-campaigns. General model assumptions are:

- monopoly market
- no variable costs
- network is the mean-field case of percolation
- only those persons who bought a product will forward information about it

Details

Package:	WordOfMouth
Type:	Package
Version:	1.2.0
Date:	2025-02
License:	GPL-3
Depends:	R (>= 3.0.1), methods

Author(s)

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compareToFIMarket *Compares the welfare of the WoM campaign to that of a fully informed market*

Description

Compares the welfare of the WoM campaign to the welfare of a fully informed market assuming a uniformly distributed willingness to pay.

Usage

```
compareToFIMarket(campaign)
```

Arguments

campaign	Word-of-Mouth campaign as instance of class WoMCampaign.

Value

Data frame containing the profit-maximizing price, the resulting demand, profit, consumer surplus and economic welfare for a fully informed market and a WoM market.

Author(s)

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See Also

computeOptimalPrice computeProfit computeConsumerSurplus

Examples

```
network <- new("WoMNetwork", size = 1000, avgConnections = 5)
campaign <- new("WoMCampaign", network = network, seedingSize = 10, forwardProbability = 0.2)
comparison <- compareToFIMarket(campaign)
print(comparison)
```

`computeConsumerSurplus` *Computes the expected cumulative consumer surplus*

Description

Computes the expected cumulative consumer surplus for a given Word-of-Mouth campaign at a given price.

Usage

```
computeConsumerSurplus(campaign, price)
```

Arguments

`campaign`	Word-of-Mouth campaign as instance of class `WoMCampaign`.
`price`	Price as number in [0; 1] where 0 is the minimal and 1 is the maximal price.

Value

Expected cumulative consumer surplus.

Author(s)

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See Also

`computeDemand` `computeProfit` `computeOptimalPrice`

Examples

```
network <- new("WoMNetwork", size = 1000, avgConnections = 5)
campaign <- new("WoMCampaign", network = network, seedingSize = 10, forwardProbability = 0.2)
surplus <- computeConsumerSurplus(campaign, price = 0.5)
print(surplus)
```

computeDemand *Computes the expected demand*

Description

Computes the expected demand for a given Word-of-Mouth campaign at a given price.

Usage

```
computeDemand(campaign, price)
```

Arguments

campaign	Word-of-Mouth campaign as instance of class WoMCampaign.
price	Price as number in [0; 1] where 0 is the minimal and 1 is the maximal price.

Value

Expected demand in number of persons.

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See Also

computeRoundDemand computeProfit computeConsumerSurplus computeOptimalPrice

Examples

```
network <- new("WoMNetwork", size = 1000, avgConnections = 5)
campaign <- new("WoMCampaign", network = network, seedingSize = 10, forwardProbability = 0.2)
demand <- computeDemand(campaign, price = 0.5)
print(demand)
```

`computeInformationCostsThreshold` *Computes the information costs threshold*

Description

Computes the information costs that need to be surpassed in order to generate a higher profit than in a transparent market.

Usage

```
computeInformationCostsThreshold(campaign)
```

Arguments

`campaign`	Word-of-Mouth campaign as instance of class `WoMCampaign`.

Value

Information costs in [0; 1] that need to be surpassed in order to generate a higher profit than in a transparent market.

Author(s)

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See Also

`computeOptimalPrice` `computeProfit`

Examples

```
network <- new("WoMNetwork", size = 1000, avgConnections = 5)
campaign <- new("WoMCampaign", network = network, seedingSize = 10, forwardProbability = 0.2)
threshold <- computeInformationCostsThreshold(campaign)
print(threshold)
```

computeOptimalPrice *Computes the profit-maximizing price*

Description

Computes the profit-maximizing for a given Word-of-Mouth campaign.

Usage

```
computeOptimalPrice(campaign)
```

Arguments

campaign	Word-of-Mouth campaign as instance of class WoMCampaign.

Value

Profit-maximizing price in [0; 1] where 0 is the lowest possible and 1 is the highest possible price.

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See Also

computeDemand computeProfit computeConsumerSurplus

Examples

```
network <- new("WoMNetwork", size = 1000, avgConnections = 5)
campaign <- new("WoMCampaign", network = network, seedingSize = 10, forwardProbability = 0.2)
price <- computeOptimalPrice(campaign)
profit <- computeProfit(campaign, price)
print(price)
print(profit)
```

computeProfit *Computes the expected profit*

Description

Computes the expected profit for a given Word-of-Mouth campaign at a given price.

Usage

```
computeProfit(campaign, price)
```

Arguments

campaign	Word-of-Mouth campaign as instance of class WoMCampaign.
price	Price as number in [0; 1] where 0 is the minimal and 1 is the maximal price.

Value

Expected profit as number of persons times price.

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See Also

computeDemand computeConsumerSurplus computeOptimalPrice

Examples

```
network <- new("WoMNetwork", size = 1000, avgConnections = 5)
campaign <- new("WoMCampaign", network = network, seedingSize = 10, forwardProbability = 0.2)
profit <- computeProfit(campaign, price = 0.5)
print(profit)
```

computeRoundDemand *Computes the expected demand per round*

Description

Computes the expected demand for a given Word-of-Mouth campaign at a given price and a given round or a given round and all previous rounds

Usage

```
computeRoundDemand(campaign, price, round, previousRounds = TRUE)
```

Arguments

campaign	Word-of-Mouth campaign as instance of class WoMCampaign.
price	Price as number in [0; 1] where 0 is the minimal and 1 is the maximal price.
round	Round at which or until which the demand per round will be computed.
previousRounds	Should the demand of all previous rounds be returned or not. Default is TRUE.

Value

Expected demand in number of persons. Note that the first value in the demand vector is the number of initial consumers when previousRounds is TRUE. The number of initial consumers is (1-p)*seedingSize.

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See Also

computeDemand computeProfit computeConsumerSurplus computeOptimalPrice

Examples

```
network <- new("WoMNetwork", size = 1000, avgConnections = 5)
campaign <- new("WoMCampaign", network = network, seedingSize = 10, forwardProbability = 0.2)
demand <- computeRoundDemand(campaign, price = 0.5, round = 3)
print(demand)
```

computeWoMIntensity *Computes the WoM intensity*

Description

Computes the WoM intensity in a given Word-of-Mouth campaign.

Usage

```
computeWoMIntensity(campaign)
```

Arguments

campaign	Word-of-Mouth campaign as instance of class WoMCampaign.

Value

WoM intensity in [0; 1].

Author(s)

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Examples

```
network <- new("WoMNetwork", size = 1000, avgConnections = 5)
campaign <- new("WoMCampaign", network = network, seedingSize = 10, forwardProbability = 0.2)
intensity <- computeWoMIntensity(campaign)
print(intensity)
```

incentivizeWoM *Calculates the impact of incentivizing WoM communication*

Description

Calculates the impact of incentivizing WoM communication. Given a start forward probability and an expected end forward, probability this function calculates changes in demand, consumer surplus, profit, cost for incentivizing and economic welfare for i) keeping the optimal price for the start forward probability or ii) setting the optimized price for the expected forward probability.

Usage

```
incentivizeWoM(campaign, expProb, rewardCost = 0, keepStartPrice = FALSE)
```

Arguments

campaign	Word-of-Mouth campaign as instance of class WoMCampaign.
expProb	Expected forward probability when incentivizing WoM.
rewardCost	Cost per consumer acquired through the incentivization strategy.
keepStartPrice	Logical value indicating whether or not (default) the optimized price for the start forward probability will also used for the expected forward probability.

Value

Data frame containing the profit-maximizing price, the resulting demand, profit, consumer surplus and economic welfare for the start WoM intensity and the expected WoM intensity.

Author(s)

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See Also

computeOptimalPrice computeProfit computeConsumerSurplus

Examples

```
network <- new("WoMNetwork", size = 1000, avgConnections = 5)
campaign <- new("WoMCampaign", network = network, seedingSize = 10, forwardProbability = 0.2)
incentivization <- incentivizeWoM(campaign = campaign, expProb = 0.25, rewardCost = 0.05)
print(incentivization)
```

---

show,WoMCampaign-method

Shows a WoMCampaign *object*

Description

Shows a WoMCampaign object

Usage

```
## S4 method for signature 'WoMCampaign'
show(object)
```

Arguments

object	An instance of the WoMCampaign-class

Methods

list("signature(object = \"WoMCampaign\")") Shows an WoMCampaign object.

Author(s)

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---

show,WoMNetwork-method

Shows a WoMNetwork *object*

Description

Shows a WoMNetwork object

Usage

```
## S4 method for signature 'WoMNetwork'
show(object)
```

Arguments

object	An instance of the WoMNetwork-class

Methods

list("signature(object = \"WoMNetwork\")") Shows an WoMNetwork object.

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WoMCampaign-class *Class* WoMCampaign

Description

This class represents a WoM campaign that is performed on a given network to promote a durable good with no variable costs.

Slots

`network` (WoMNetwork) The network to which the WoM campaign is applied.

`seedingSize` (numeric) Number of consumers who are initially informed about the good by the firm.

`forwardProbability` (numeric) Probability at which a consumer forwards information about the good to others.

`informationCosts` (numeric) Costs to information one consumer about the good.

Objects from the Class

Objects can be created by calls of the form `new("WoMCampaign", ...)`. This S4 class describes `WoMNetwork` objects.

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Examples

```
network <- new("WoMNetwork", size = 1000, avgConnections = 5)
campaign <- new("WoMCampaign", network = network, seedingSize = 10, forwardProbability = 0.2)
print(campaign)
```

WoMNetwork-class *Class* WoMNetwork

Description

This class represents an average random graph.

Slots

`size` (numeric) The number of consumers in the network.

`avgConnections` (numeric) Average number of connections per consumer.

Objects from the Class

Objects can be created by calls of the form `new("WoMNetwork", ...)`. This S4 class describes `WoMNetwork` objects.

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Examples

```
network <- new("WoMNetwork", size = 1000, avgConnections = 5)
print(network)
```

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