

A STUDY ON THE INFLUENCE OF ELECTRONIC WORD OF MOUTH ON CONSUMER BUYING BEHAVIOUR

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Abstract

With the emergence of digital technology and outspread use of internet has paved the way for electronic word of mouth (e-WOM). The most well expressed definition of e-WOM is any positive or negative statement made by potential, actual or former customers about a product or company, which is made available to a multitude of people and institutions via the internet. As WOM, e-WOM is both productive and catastrophic, increasing number of online communities and increased reliance of social media platforms, messages or discussions has the potential to help a business to grow, a product to become a hit or a news to go viral. This study tries to understand the influence of e-WOM on consumer buying behaviour. It also tries to evaluate credibility of e-WOM, strength of positive reviews, strength of negative reviews, herding effect and consumer buying intention.

Key words: Electronic word of mouth, herding, consumer buying behavior, e-WOM, etc.

1. Introduction

WOM - word of mouth can be defined as an oral form of interpersonal non-commercial communication among acquaintance. If explained this can be any informal statement, recommendation or reviews made by customers about a product or service or a company. Across Southeast Asia, 88% of consumers placed the highest level of trust in WOM from people they know against advertising. This shows the importance of WOM. WOM is both productive and catastrophic. With the emergence of digital technology and outspread of internet that too at low cost has paved the way for e-WOM.

Internet, social media, mobile application all accelerated the growth and importance of e-WOM. E-WOM is any positive or negative statement made by potential, actual or former customers about a product or company, which is made available to a multitude of people and institutions via the internet. E-WOM has its strength in people liking to share their opinion, seek advice online and trust other people suggestions and advices, more than the details they get through advertising. Increasing number of online communities and increased reliance of social media platforms, messages or discussions has the potential to go viral. Twitter, WhatsApp, Instagram, LinkedIn, etc. has dramatically increased the conversations about brands and campaigns.

The main elements of e-WOM is Statement: Positive or negative or neutral; Communicator: the person who made the statement, object- product or company on which the statement was made; Receiver: people or organization that sees or reads the statement; Environment: internet or the social media. Consumer buying behavior is considered to be a major part of marketing. Consumer buying behaviour is the study of the ways of buying and disposing of goods, services, ideas or experiences by the individuals, groups and organization in order to satisfy their needs and wants. Major social factors that influence buying behaviour include opinion leaders, family & friends, reference group and individuals. Herding has been defined as a behaviour that follows the decision of the majority rather than relying on rational thinking. Most people try to imitate or accept the behaviour of others and abandon their own beliefs or thinking due to lack of confidence.

2. Literature review

Henning-Thurau (2004) describes electronic word of mouth is any positive or negative statement made by potential, actual or former customers about a product or company, which is made available to a multitude of people and institutions via the internet.

The importance of credibility of online reviews has been a much

sought out topic, in this light, Cheung, et al. (2009) viewed that the credibility of the online reviews and considered that it is to the extent to where consumers feel they are sincere.

Wu and Wang (2011) explored the consequence of e-WOM message source credibility on brand attitude. They stated that a direct and positive relationship existed between message source credibility and consumer buying attitude.

3. Methodology

The study uses deductive logic reasoning method and a survey method of research. The primary data for the study were collected from 50 students of different age groups from the campus of Naipunnya School of Management, Cherthala. A random sampling method was used to select the samples. A closed end structured questionnaire was used to collect the primary data. The secondary data were collected from the published sources.

4. Analysis and interpretations

Table 1

Dimensional Statistics and Reliability Test

Dimension	No. of Items	Min.	Max.	Cronbach's Alpha
Credibility	50	1	5	0.735
e-WOM measure	50	1	5	0.772
Strength of positive	50	1	5	0.776
Strength of negative	50	1	5	0.793
Herding	50	1	5	0.717
Buying behavior	50	1	5	0.834

Alpha coefficient for all items used exceeds the recommended 0.70, which shows that the constructs and the scale used has an adequate level of internal consistency.

Table 2
Profile of the Respondents

	Variable	Frequency	Percent
Gender	Male	24	48
	Female	26	52
Age (years)	15-20	28	56
	21-25	22	44
Program of study	Postgraduate	22	44
	Graduate	28	56
How often use social media	Very rare	2	4
	Once in 4- 5 days	2	4
	Every day	46	92
How often read reviews	Always	26	52
	Frequently	7	14
	Some times	17	34
How often shop online	More than once a month	29	58
	At least once in a month	5	1
	Very rare	14	28
	Never	2	4

Table 3
Correlation between Buying Behaviour and Credibility of Review

			Buying Behaviour	Credibility of Review
Spearman's rho	Buying Behavior	Correlation coefficient	1.000	0.01575
		Sig (2-tailed)		0.91357
		N		50

*at 0.01 level (2 tailed)

There is a positive correlation between the credibility of the reviews and its impact on consumer buying behavior ($r_s = 0.01575$, p (2-tailed) = 0.91357, $N=50$). There is no significant relation between the credibility of the reviews and consumer buying behaviour. Even though people check reviews online, its credibility, trust, believability, etc. has a major influence in determining consumers buying behaviour.

Table 4

Correlation between Buying Behavior and Quality of e-WOM

			Buying Behaviour	Quality of e-WOM
Spearman's rho	Buying Behavior	Correlation coefficient	1.000	.46944
		Sig (2-tailed)		.00058
		N		50

*at 0.01 level (2 tailed)

It is inferred from the above table that there is a significant relationship between the quality of e-WOM and buying behaviour of the respondents.

Table 5

Correlation between Buying Behaviour and Strength of Positive Reviews

			Buying Behaviour	Strength of Positive Reviews
Spearman's rho	Buying Behavior	Correlation coefficient	1.000	.41412
		Sig (2-tailed)		.00279
		N		50

*at 0.01 level (2 tailed)

Most people expect a great relation between positive reviews and consumer buying behaviour, however from the above table we can find a significant relation which compared to strength of negative reviews is less.

Table 6

Correlation between Buying Behavior and Strength of Negative Reviews

			Buying Behaviour	Strength of Negative Reviews
Spearman's rho	Buying Behavior	Correlation coefficient	1.000	.85199
		Sig (2-tailed)		0
		N		50

*at 0.01 level (2 tailed)

Same as in the case of word of mouth, here too we can see that the strength of negative reviews is very high.

Table 7

Correlation between Buying Behavior and Herding

			Buying Behaviour	Herding
Spearman's rho	Buying Behavior	Correlation coefficient	1.000	.49409
		Sig (2-tailed)		.00027
		N		50

*at 0.01 level (2 tailed)

There exist a relation between herding and buying behaviour, however the significance is least as compared to other factors.

5. Conclusion

The purpose of the study was to understand the influence of different factors of e-WOM on consumer buying behaviour. During this digital age, the influence of e-WOMs are increasing, hence the main areas this study focused on was the consumers' understanding about the credibility of the source of reviews, quality of reviews, what is the influence of positive reviews on consumer buying behaviour, what is the strength of negative reviews, do consumers believe in herding tendency in reviews, etc. Through this study, we were able to understand that their exist relation between all the above factors, however the most influential factor was negative reviews and least was the herding behaviour. Limited time period and other uncontrollable environmental factors have their own influence on the respondents' behaviour and consequently on the study.

6. Reference

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