

The Processes of Online Word-of-Mouth on the Purchase Decision

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Abstract With the rapid development of Internet, the online WOM become an important way for corporation to affect consumer’s purchase decision. This paper selects some consumers who have network shopping experience as research objects, builds a theory model between the influence of WOM on the consumer’s purchase decision, social responsibility, perceived risk, involvement, actively seeking WOM, and uses structural equation model to carry out empirical study of Word-of-Mouth processes within an online purchase decision. The results show that actively seeking WOM has a direct and positive effect on the influence of WOM on the consumer’s purchase decision.

Key words Online WOM; Self-confidence; Perceived risk; Involvement; Actively seeking WOM

1 Introduction

Arndt (1967)^[1] for the first time defined the word of mouth as the non-commercial information exchange between the recipient and the sender about a verbal, private room on the brand, products or services. Repeatedly, research has shown the importance of consumer word of mouth (WOM) in the formation of attitudes, in a purchase decision-making context and in the reduction of risk associated with buying decisions (Murray, 1991)^[2]. In many cases, Word of mouth has become the highest Frequent used information resources before make purchase decisions.

Since the development of the World Wide Web (WWW) on the Internet, an increasing number of companies have been trying to carry out electronic commerce. Word of mouth has moved beyond small groups and communities to being freely available through large-scale consumer networks (Avery, Resnick and Zeckhauser 1999)^[3]. The researchers call the word of mouth which Generate and spread in the Internet environment as the online WOM. Compared to traditional WOM, online WOM is more influential due to its speed, convenience, one-to-many reach, and its absence of face-to-face human pressure (Phelps et al., 2004)^[4]. Although there exists much opinion regarding the power of WOM, there is surprisingly little empirical research that examines its “procedural “aspects. This paper attempts to analysis the key factors in the processes of WOM influences consumer’s perchance decision through empirical research methods. We hope that this paper may bring inspiration to enterprise activities such as e-commerce and Internet Marketing.

2 Theory and Hypotheses

The conceptual framework and hypotheses for the present study is shown in Figure1. The major theme is to investigate the inter-relationships among the influence of WOM on the consumers’ purchase decision, social responsibility, perceived risk, involvement, actively seeking WOM.



Figure 1 Research Framework

Word of mouth means the informal exchange of information among consumers regarding specific product, service or vendor of the properties. There is a big difference between consumer’s decision-making process in online shopping context and traditional shopping. Word of mouth can help solving the problem which consumers can not directly feel the products. Consumers can not fully understand the features of the products before purchasing; he may search the word of mouth through

internet to get other people's suggestions. Besides, online word of mouth information can help consumers overcome the problem of insufficient knowledge of the products (Bristor 1990)^[5], and reduce the perceived risk before the purchase.

2.1 Actively seeking WOM

Actively seeking WOM is construed as the process of vigorously seeking and ultimately attaining a message. The consumer's action of seeking WOM information is hypothesized to be an important element of the process. Associated with the process of actively seeking WOM is selective exposure to the WOM message, which, in turn, results in the consumer being more predisposed to the WOM message. Consequently, a message that is actively sought will have a greater impact on the dependent variable, the influence of the sender's WOM on the consumer's purchase decision, than a WOM message that is passively attained and not actively sought. Thus, the following hypothesis is drawn:

Hypothesis 1: The greater the extent to which the WOM is actively sought by the consumer, the greater the influence of the sender's WOM on the consumer's purchase decision.

2.2 Social responsibility

Social responsible people tend to help people even when there is nothing to be gained from others, They have a strong standard of right and wrong (Berkowitz & Lutterman, 1968)^[6]. Dichter mentioned the involvement as a motivator of WOM, where consumers engage in WOM with the intent to help others. WOM literature suggests that once dissatisfaction occurs, a desire to prevent others from experiencing a similar fate may prompt one to search WOM more actively. The people who have a higher degree of social responsibility would like pay more time to search the WOM information. Conversely, consumers who have lower degree of social responsibility would have less motion to search WOM. Thus, the following hypothesis may be considered:

Hypothesis 2a: The greater the consumer's expertise, the less actively sought the WOM information.

2.3 Perceived risk

Perceived risk was originally a concept in psychology, in 1960, scholars Bauer introduced concept into the field of marketing. As online shopping has not direct contact, the consumer is unable to feel the product characteristic directly, Moreover, the quality can not be good guaranteed after sale. Arndt^[1] finds that people who perceive higher risk tend to more actively seek WOM information than those who perceive risk to be lower. Murray (1991)^[2] reports that WOM is the most important source of risk-reducing information and creates an even greater impact on consumers, largely due to clarification and feedback opportunities. Reinforcing this are Still, Barnes, and Kooyman (1984)^[7], who contend that the influence of WOM on purchase decisions is less dramatic in a low-risk scenario as opposed to its more influential effects in a high-risk purchase situation. Thus, the following hypothesis may be considered:

Hypothesis 3a: The greater the perceived risk, the more actively sought the WOM information.

Hypothesis 3b: The greater the perceived risk, the greater the influence of the sender's WOM on the consumer's purchase decision.

2.4 Product involvement

Product involvement means consumer's perceived level of importance and relevance of products based on their own desires and values. (Zaichkowsky, 1985)^[8]. When the degree of involvement is higher, consumers tend to search for more product information and analysis the obtained information seriously; the whole process of purchase decision making is complex. But when the level of involvement is low, consumer's buying decision-making process is relatively simple. Consumers to buy products with a higher degree of involvement will usually pay more time and energy searching the online word of mouth information. And the online WOM may have more important effect on the consumer's purchase decision when the consumer to buy products with a higher degree of involvement. Thus, the following hypothesis is drawn:

Hypothesis 4a: The products involvement has a positive influence on consumer word of mouth active search.

Hypothesis 4b: The higher degree of the products involvement, the greater the influence of the sender's WOM on the consumer's purchase decision.

3 Methodology

This paper selects the consumers who have online shopping experience as the research object. Questionnaires were randomly delivered in public place. In this study, 300 questionnaires were issued,

192 effective questionnaires were preserved. Analyzing the data with SPSS 17.0, we can know that 47.9% of the samples are male, the average age is 27.61 years old.

With a view to empirically examine the conceptual model, existing measures needed to be adapted and improved. The measurement scale utilized was a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree) to identify the extent of agreement with each item. Social responsibility was measured by three-item adapted scale from Berkowitz, L & Lutterman, K.G (1968)^[6], The Alpha coefficient was 0.704 for the present study. Consumer’s perceived risk was measured by using an adapted scale from Murray and Schlacter (1991)^[2], The Alpha coefficient was 0.744 for the present study. Actively seeking WOM was measured by using an adapted scale from Jumin Lee, Do-Hyung Park, Ingoo Han (2008)^[9], The Alpha coefficient was 0.75 for the present study. The influence of WOM on purchase decision was measured by using an adapted scale from Gilly et al. (1998)^[10], The Alpha coefficient was 0.765 for the present study. Product involvement was measured by using an adapted scale from (Sun, T., Youn, S., Wu, G., and Kuntaraporn, M. 2006)^[11], The Alpha coefficient was 0.77 for the present study.

4 Results

4.1 Test of overall theoretical model.

This paper uses Structural Equation Modeling (SEM) with Amos 17.0 to analyze the relationship among these variables. As to the test of structural equation modeling, Bagozzi & Yi (1988) believes that it must be measured from three aspects including preliminary fit criteria; overall model fit and fit of internal structure of model.

Test results of preliminary fit criteria. All the factor loading value of latent variable is in the standardized level between 0.5 and 0.9, and all of them have reached the significant level. So, the theoretical model of this paper is fit for the basic fitting standards.

Test results of overall model fit. In the measurement of absolute fitness, $\chi^2 = 213.622$, $d.f = 113$, GFI (0.886) is larger than 0.80, RMR (0.056) is lower than 0.05, RMSEA (0.068) is lower than 0.08, which indicates that all indicators reach the accepted level. In the measurement of asymptotic fitness, values of AGFI (0.845), RFI (0.765), NFI (0.805), CFI (0.895) are larger than 0.80. As to measurement of summarized fitness, values of PNFI (0.669) and PGFI (0.654) are larger than 0.5, and $\chi^2/d.f$ (1.890) is between 1 and 2, which indicates that all indicators reach the accepted level, which indicates the theoretical model of this paper has a good overall model fit.

Test results of internal structural model fit. The social responsibility, perceived risk, actively seeking WOM, Product involvement, the influence of WOM on purchase decision are 0.704, 0.744, 0.75, 0.736, 0.765, and their corresponding factors cumulative are 63.36%, 66.582%, 66.787%, 54.941% and 59.701%. All of them have passed the lowest accepted level which is 0.5. Therefore, the theoretical model of this paper has a good internal structural model fit.

4.2 Test result of hypothesis

The test results of hypothesis can be seen in table 3. In this paper, hypotheses all are supported effectively except hypotheses 3b and Hypothesis 4b. In other words, there is positive correlation between actively seeking WOM and the influence of the sender’s WOM on the consumer’s purchase decision ($P < 0.001$); the products involvement has a positive influence on consumer word of mouth active search ($P < 0.001$); the greater the perceived risk, the more actively sought the WOM information. ($P < 0.001$); social responsibility has direct positive effect on actively seeking WOM ($P < 0.01$). And the verified structure model with the standardized coefficients for the research samples and the relationship among variables can be seen in Figure 1.

For Hypothesis 3b and Hypothesis 4b, the determined relationship was found to be extremely weak therefore, not statistically significant. The directionality was in accordance with the hypothesis.

Table 1 Hypothesis Test Results

Paths	Estimate	P-value	Hypothesis	Results
1	0.810***	0.000	H1	Support
2	0.4530***	0.000	H2a	Support
3	0.213***	0.006	H3a	Support
4	0.002	0.982	H3b	Decline
5	0.4130***	0.000	H4a	Support
6	0.093	0.427	H4b	Decline

Notes: *Significant at $P < 0.05$; ** Significant at $P < 0.01$; *** Significant at $P < 0.001$.

5 Conclusions and Discussion

This paper has studied the WOM in online shopping context with empirical research methods. In the context of online shopping, it is difficult for the enterprise to make hundred percentage demonstrations of the product, and consumers also can not feel the products before purchasing, shopping online means more risks and uncertainties.

Through study of this paper, we can find that online Word of Mouth is more and more import on the influence of consumer's purchase decision-making and pre-purchase evaluation. Enterprises should take more attention on how to improve the consumer's actively seeking WOM.

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