Impact of Electronic word of mouth in online shopping among Indian Consumers

Authors

Pooja Patil

Xavier Institute of Management & Entrepreneurship,

Bangalore - 560100

Priya

Xavier Institute of Management & Entrepreneurship,

Bangalore - 560100

Abstract

Purpose: The purpose of this research is to explore the extent to which user-generated social electronic word of mouth affects the customer's buying behaviour and their purchase intentions. This consequently impacts the growth of the e-business.

Design/methodology/approach: A questionnaire-based survey was conducted to examine the influence of eWOM on purchase intention of consumers. Information Adoption Modeling (IAM) was applied using data collected from 84 respondents comprising 32 female and 52 male users.

Findings: The research established that positive word of mouth about any product or service besides eWOM usefulness, credibility and adoption have significant and positive impact on the purchase intention of the consumers.

Research limitations/implications: The data set used for the study limits generalizing of results, as the data are not representative across the country or all the product categories. Furthermore, the study does not include all the antecedent factors of eWOM which can otherwise play a moderating effect on the eWOM adoption and consequently the purchase intention of the consumers.

Originality/value: This paper provides useful and valuable insights into the relationship between Electronic word of mouth, and purchase intention of online consumers. The study can also be used for

future study for different product and service categories using different social media sites and larger sample size collected from larger demography.

Keywords

Information Adoption Modeling (IAM), eWOM, Purchase intention, eWOM adoption, eWOM usefulness, eWOM credibility, Positive word of mouth, e-business.

Paper Type: Research paper

1   Introduction

E-commerce is short for electronic commerce. It refers back to the trade of purchasing and promoting products or services over the net. With the assist of the internet, human beings can purchase and promote clearly the whole thing, like books, electronics, apparel, software, fixtures. E-trade presents a platform for people to shop for or sell anything they want, whenever they want. It now plays a critical position in each day lives. it is redefining business activities around the sector. over the years, e-trade has developed in profound approaches. Growth of Global e-commerce-Over the last few years, e-trade has emerged as a quintessential a part of the global retail framework. Like many different industries, the retail panorama has passed through a considerable transformation following the appearance of the internet, and thanks to the continued digitalization of modern existence, purchasers, virtually from every country make the most of the profits from the perks of on-line transactions. As internet access and adoption are unexpectedly growing around the world, the wide variety of virtual customers globally continues mountaineering every 12 months. In 2019, an envisioned 1.92 billion humans bought goods or services online. During the same 12 months, e-retail income handed 3.5 trillion U.S. dollars, and consistent with the latest calculations, growth in the demand of e-commerce will accelerate further in the future.

Boom in e-commerce locally- E-commerce has converted the manner commercial enterprise is carried out in India. The Indian E-trade marketplace is anticipated to develop to US$ 200 billion till 2026 from US$ 38.5 billion as of 2017. Tons of the increase for the industry has been brought on with the aid of growth in net and cellphone penetration. As of August 2020, the quantity of net connections in India extensively extended to ~760 million, pushed by means of the 'Digital India' program. Out of the total internet connections, ~sixty-one% connections have been in city regions, of which ninety-seven% connections had been wi-fi. E-word of mouth: - Electronic word of mouth is any positive or negative comment or compliment made by the potential, actual or former customers about a product or company which is made available to multiples of people and/or institutions and is spread over the internet. Impact of e-WOM on enterprise- e-WOM has a far great impact on the purchase aim and buying behaviour of the customers. Human beings these days, prior to buying any product or availing any service, look for the web

opinions and ratings that the product/service has got based on their performance or quality from their former or present customers. Based on the various social media opinions, one develops purchase purpose, brand image as well as faith and reliability for a brand or service provider company. E-WOM plays a first-rate function in advocating the product as well as affects the repeat purchase of the clients. Hence, e-WOM can have positive or a negative effect on the businesses. It can lead to success or downfall of any business or an organization.

2 Literature review

Sr. No	Author & Year	Theory	Context	Independent Variable	Dependent Variable	Data Collection method, Sample size and Country	Results	Future Research
1	Musab Kamal Alharbi, Yuhanis Abdul Aziz, Raja Nerina Raja Yusof, Abu Bakar Abdul Hamid, 2020	Social exchange theory (SET) is used to offer perception at the mediating variable and the moderating variable at the same time as principle of reasoned movement action (TRA) is used to provide an explanation for buying behaviour	Effects of trust on the relationship between eWOM communication and purchase intention	Trust	Purchase Intention, eWOM communication	Surveys using a list-based sampling frame. sample size-398, Saudi Arabia	eWOM communication has a positive impact on the consumers purchase intention.	Future research might examine other possible moderating mechanisms such as gender. Future studies are recommended to examine the effect of trust in other countries to allow for comparison of the findings.
2	HAMZAH NEHYAR, MOHAMMED SAEED, HUSSEIN BAROOM ALI AL-JA'AFREH, RAID AL-ADAILEH, 2020		Impact of eWOM on clients buying behaviour	eWOM trustworthiness, eWOM standard, and eWOM quantity	Purchasing Intention	Questionnaire, Sample size-300, Al Karak governance citizens, Jordan	The independent variables puts a significant and positive impact on the dependent variables whereas, eWOM credibility doesnot affect the buying behaviour of the customers.	Future researchers might also examine the citizen's attitudes towards the use of social media websites so that it will get extra facts in addition to expect their shopping intention.
3	Muddasar Ghani Khwaja and Umer Zaman, 2020	Survey-based data and Structural Equation Modelling (SEM) technique to determine the causality among the constructs	eWOM on the social media platforms, as the consumers' online decision-making process is confined to the adoption of information in the first phase	Expertness, trustworthiness, objectivity, homophily, argument quality and information usefulness	perceived risk, information adoption	Survey method and a structured questionnaire is used, Non-probability convenience sampling technique was used and the respondents were all online shoppers from Pakistan, 346 sampling size	The study unfolded different antecedents of electronic word-of-mouth (eWOM) and their individual impact on the information adoption process of customers. Emerging entrepreneurs would be getting an insight into how effective utilization of eWOM can lead to consumer information adoption, and consequently purchase intentions.	Future research studies must be of longitudinal nature as attaining data in different time periods may provide a different outcome. Future studies may also use gender as a control variable and examine howw gender influences information adoption.
4	Ufet ISÇÎ*, Hakan KITAPCI, 2020	Regulatory focus theory	Study explores the risk-based effects of negative electronic word-of-mouth (neWOM) perception (financial and performance risks) on electronic word-of-mouth (eWOM) credibility and purchase intention	Performance risk perception, financial risk perception, performance risk	Purchase intention, eWOM credibility	Regulatory focus questionnaire (RFQ), sample-size-344 graduate students, Turkey	Only financial risk containing neWOM perception has an effect on eWOM credibility in the promotion-focused consumer group.performance risk containing neWOM perception has no significant effect. Likewise, neWOM perception with financial risk information is significant than the performance risk in terms of the effect on eWOM credibility among prevention-focused consumers	In future research, the effect of neWOM could be studied and comprared across cultures with different dimensions based on Higgins's regulatory focus theory.
5	Dinna Dwidienawati, David Dahsyat, Sri Brnamarong Abdinagoro, Dyah Gandasari, Muharroroha, 2020	signalling theory	Customer review and influencer endorsement	Influencer endorsements, customer reviews	Purchase Intention, trust	Experiments, sample size- 100 respondents were for influencer endorsement, 100 were for customer review, Indonesia	Not all types of customer review are effective in influencing purchase intention. For luxury products, influencer endorsement, but not customer review, influences purchase intention.	Future study should include the use of a real, exclusive brand, consider using real websites, customer reviews and influencers, investigate how different generations are influenced by different types of eWOM and reconfirm the role of trust directly on purchase intentions.
6	Nazia Yousuf Elhat, 2020	Information adoption model(IAM), information Acceptance Model,theory of Reasoned Action(TRA)	The influence of Electronic word of mouth (eWom) on Consumers Purchase Intention	Social networking sites,brand image,information usefulness, adoption,credibility and quality through eWOM	Purchase intention	Review of literature has been undertaken during the period of November 2019- April 2020.main database research engine used were (ScienceDirect, EmeraldInsight, Springer and Google scholar)	eWOM information on various social networking sites highly influences purchase intention.consumers emotional, affective and cognitive responses.InformationQuality and Information quantity that is available to consumers in the form of reviews significantly influences consumers purchasing intention	Future studies could include the effect of eWOM on consumers purchase intention through other dimensions of brand equity like brand awareness, brand image and brand loyalty.eWOM effects on brand image could be examined for particular brands or class of products, such as luxury goods or high-tech products
7	Md. Shahed Mahmud, Md. Nazmul Islam, Md. Rostam Ali and Nadia Mehjabin, 2020	Structural equation model (SEM) analysis.	The impact of eWOM on customers buying intention and determine the relationship of trust between eWOM and customers' buying intention	eWOM, Trust	Customer buying intention	Structural Model with sample size of 5,000 samples with 95% bias-corrected confidence intervals	Both positive and negative reviews have a critical impact on customers' purchasing decisions. Customers feel discouraged from making a final purchase decision after being exposed to unfavourable reviews or information about products and services from other customers. Negative eWOM has a deeper impact on customers' minds than positive eWOM.	To have a larger sample size, which might reduce the multivariate non-normality of the data. A multi-group analysis can be performed to explore the effects of different age or income groups. A cross cultural or multinational analysis can also provide a wider exposure to the concept.

3   Objective

The objective of this research paper is to analyze how the user-generated positive or negative electronic word-of-mouth on social media sites affects purchase intention or the buying behaviour of the customers that consequently impacts the growth or downfall of the businesses. The paper presents the results from the past studies in the literature review and further displays a new proposed framework. The research proposes future direction and potential solutions to the issues.

4   Conceptual model

Table 2 Framework
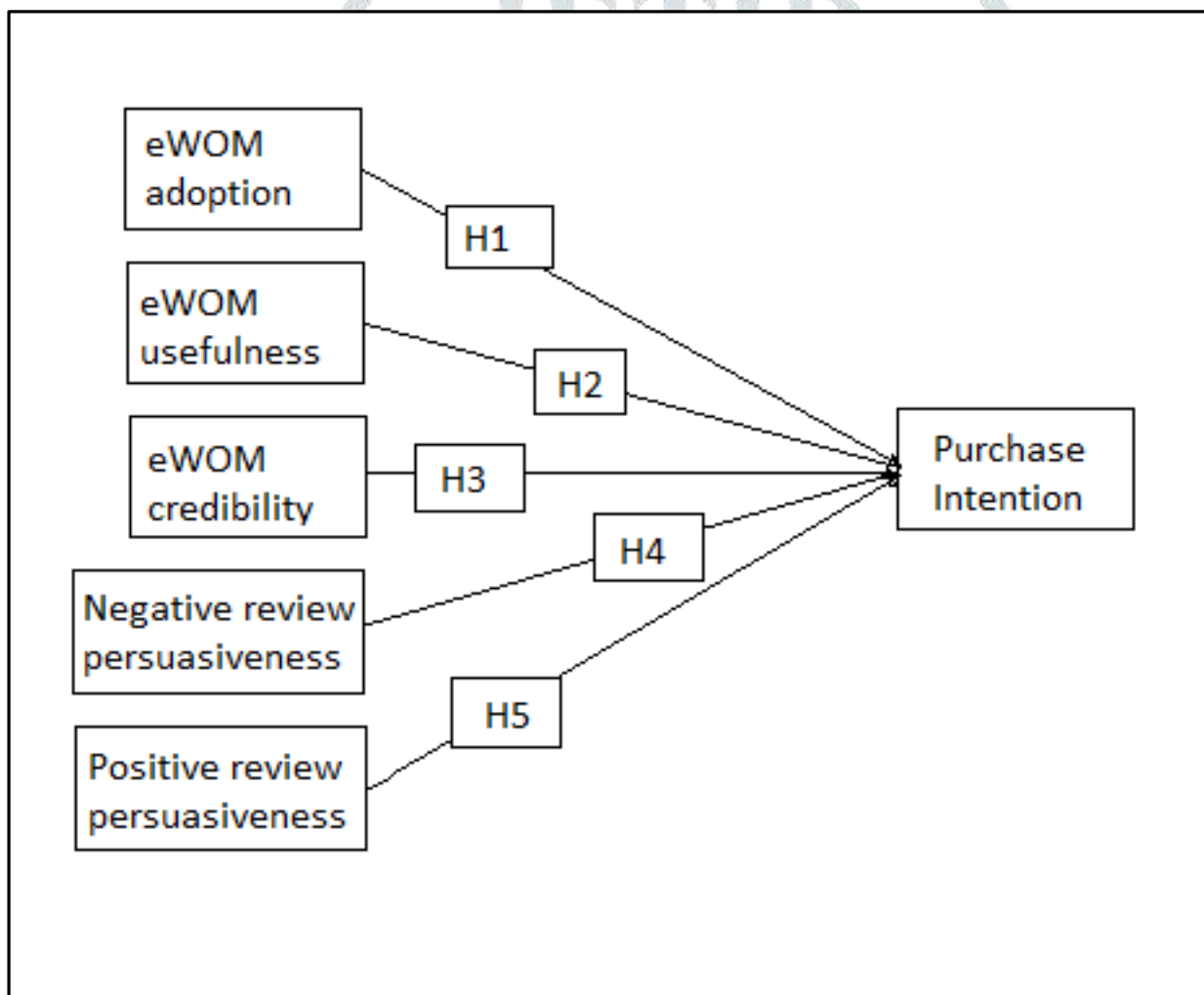
4.1   eWOM adoption

eWOM adoption refers to the effects of online consumer information adoption on the purchase intention. Information adoption can be defined as a process of information transformation and internalization

(Nonaka, 1994). There are several factors that affect the eWOM adoption. According to the Information Adoption Model, eWOM adoption is majorly affected by eWOM usefulness and eWOM credibility. Sussman and Siegal addressed usefulness as a key and antecedent factor of the acceptance of information. Consumers trust also plays an important role in adoption of eWOM (Cheung et al. (2009). Only when the customers trust and believe the information, they will adopt the eWOM to help them make purchase decisions (McKnight et al.,2002). Besides, eWOM usefulness and credibility there are other factors as well that impacts the eWOM adoption like information overload and cognitive cost as proposed by Kuksove and Dass (2014). This follows the first hypothesis:

H1: eWOM adoption has a positive effect on purchase intention.

4.2   eWOM usefulness

eWOM usefulness enables consumers to learn and modify their attitudes and their purchase decisions (Park & Lee, 2009; Wang et al., 2012). The strong purchase intentions toward virally marketed products can result from viral messages with high levels of perceived usefulness (Gunawan and Huarng 2015). eWOM usefulness is of paramount importance in the consumer decision to adopt an eWOM message. eWOM impacts an individual's evaluation of products and services (Mayzlin, 2006). When eWOM messages are perceived to be useful, they affect the customers' purchase intention (Jeong and Koo, 2015). There are several studies that have investigated the relationship between eWOM usefulness and purchase intention (Cheung, 2014; Frasquet et al. 2015; Gunawan and Huarng,2015; Park and Lee 2008, 2009). This follows the second hypothesis:

H2: eWOM usefulness has a positive effect on purchase intention.

4.3   eWOM credibility

Source credibility is the term that states the positive characteristics of the communicator that affects the acceptance of the message from the receiver (Lias,2013). Perceived eWOM credibility is the primary precursor that leads to the acceptance of eWOM (Fan & Miao, 2012; Fang, 2014; Luo, Luo, Schatzberg, & Sia, 2013). eWOM credibility is defined as the extent to which one perceives the whole of a certain piece of eWOM information as believable, true, or factual. EWOM credibility is generally defined by two elements: source trustworthiness and source expertise (Hovland et al., 1959; Tien et al.,2018; Kim et al.,2018). eWOM credibility has a positive impact on the consumers' attitude and behaviour (Petty et al.,1981; Dou et al.,2012). The perceived persuasiveness of eWOM messages has a positive effect on

eWOM credibility. eWOM credibility positively influences eWOM acceptance, which subsequently affects purchase intention. This follows the third hypothesis:

H3: eWOM credibility has a positive effect on purchase intention.

4.4 Negative review persuasiveness

Negative reviews reflect a customer's first-hand poor experience with your product. Negative reviews can either be 'good negative reviews' or 'bad negative reviews'. Negative eWOM is detrimental and even more powerful in decreasing sales (Chevalier and Mayzlin 2006; Sun 2012); conversely, other studies have shown that the presence of negative eWOM increases product evaluations and sales (e.g., Doh and Hwang 2009; Hiura et al. 2010; Kikumori and Ono 2013). Negative reviews about business or products and services will immediately turn consumers away. This follows the fourth hypothesis:

H4: Negative reviews have a significant impact on purchase intention.

4.5 Positive review persuasiveness

Positive reviews are when the customer who left the review feels appreciated, which increases the chance for repeat business. Review responses also show that you value customer feedback and care to improve your customer experience. This will attract new customers and set you apart from your competitors. EWOM is positively correlated with sales (.091), but its effectiveness differs across platform, product, and metric factors. Positive reviews improve consumers' general attitude toward a product before consuming its services (Cheung and Thadani, 2012; Ladhari and Michaud, 2015; Vermeulen and Seegers, 2009), which has a positive influence on their subsequent buying behavior (Ajzen and Fishbein, 2005). This follows the fifth hypothesis:

H5: Positive reviews have a significant impact on purchase intention.

5 Research Methodology

To determine the impact of electronic word of mouth on the purchase intention of the consumers, a quantitative methodological approach was adopted for this study.

To study the eWOM impact on the purchase decisions of the consumers, Information Adoption Model (IAM) was used to plot the conceptual framework. In this study, data is collected mostly from the survey along with the secondary sources of data like: - websites, documents, journals etc.

Sample and data collection:

Data was collected through questionnaires based on the findings of the literature review. The sample constituted 84 respondents from India of which 32 were female and 52 were male.

Table 3 Questionnaire

Research construct	Code	Items/Questions	Source
eWOM adoption	EA1	The review made my purchase decision easy	Fang (2014)
	EA2	The post enhanced my effectiveness	
	EA3	The review motivated me	
eWOM usefulness	EU1	The overall information is valuable	Sussman and Siegal (2003)
	EU2	The overall information is informative	
	EU3	The overall information is helpful	
eWOM credibility	EC1	The overall information is factual	Fang (2014); Cheung et al., (2009)
	EC2	The overall information is accurate	
	EC3	The overall information is credible	
Negative review persuasiveness	NR1	I feel disgusted	Jiyoung Kim and Sharron J. Lennon (2012)
	NR2	I feel distressed	
	NR3	I feel uncertain about the product/service	
Positive review persuasiveness	PR1	I feel excited about the product	Lennon (2012)
	PR2	I trust in the credibility of the product	
	PR3	I get a feeling of peacefulness	
Purchase intention	PI1	I will purchase an item after reading the review	Jiyoung Kim and Sharron J. Lennon (2012)
	PI1	Online customer reviews affect my purchase decision	

6   Data Analysis

Table 4 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.213	.329		-.648	.518
	AD_main	.257	.074	.219	3.456	.001
	NEGT_main	.107	.075	.082	1.765	.071
	CRED_main	.430	.067	.420	6.430	.000
	USEF_main	.167	.064	.161	2.598	.010
	POST_main	.252	.064	.230	3.926	.000

Note: Dependent Variable: PI_main-Purchase intention

     Independent variables: AD_main- Adoption

                        NEGT_main-Negative review persuasiveness

                        CRED_main-Credibility

                        USEF_main-Usefulness

                        POST_main-Positive review persuasiveness

H1: eWOM Adoption (AD_main) **has a significant impact** on purchase intention with **β=.219, t-statistics=3.456 and ρ=<0.05**. Hence the hypothesis H1 is supported.

H2: Negative review persuasiveness (NEGT_main) **has no positive impact** on purchase intention with **β=.082, t-statistics=1.765 and ρ=>0.05.** Hence the hypothesis H2 is not supported.

H3: eWOM credibility (CRED_main) **has a significant impact** on purchase intention with **β=.420, t-statistics=6.430 and ρ=<0.05**. Hence the hypothesis H3 is supported.

H4: eWOM usefulness (USEF_main) **has a significant impact** on purchase intention with **β=.161, t-statistics=2.598 and ρ=<0.05**. Hence the hypothesis H4 is supported.

Table 5 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.763[a]	.582	.566	.86764
a. Predictors: (Constant), AD_main, NEGT_main, CRED_main, USEF_main, POST_main				

The model summary shows the R-square (Coefficient of determination) value = 0.582 which indicates that the model is having medium effect on dependent variable. As per Hair et al (2012) the R-square value ranging from 0.25-0.49 is considered as weak, 0.50-0.74 is considered as medium and > 0.75 is considered as strong effect on dependent variable.

7　Findings

The present study aimed to develop an information adoption model by incorporating variables such as: - eWOM adoption, negative review persuasiveness, positive review persuasiveness, eWOM usefulness, eWOM credibility and measuring their significant impact on the purchase intention of the customers.

Among all the determinants of the present model, eWOM credibility has the greatest impact on the purchase intention of the customers (Beta value=0.420, t value=6.430). Positive review persuasiveness has next greater effect on the purchase intention (Beta value=0.230, t value=3.926) followed by eWOM adoption (Beta value=0.219, t value=3.456), eWOM usefulness (Beta value=0.161, t value=2.598) and negative review persuasiveness having the least impact on purchase intention (Beta value=0.082, t value=1.765).

These five factors which were found to be significant in relation to the purchase intention of the customers accounted for approximately 56.6% (Adjusted R Square=0.566) of the change in the purchase intention of the customers and the remaining impact might be due to the factors which were not covered under this study.

8   Conclusion

The aim of the study was to observe how the consumers interpret and evaluate the eWOM information from social media to assist their purchase decision. To determine this, we have considered determinants such as: - eWOM adoption, eWOM usefulness, positive review persuasiveness, negative review persuasiveness and eWOM credibility. In our research we found that eWOM adoption, eWOM usefulness, positive review persuasiveness and eWOM credibility have a positive and significant impact on the purchase intention of the customers whereas, negative review persuasiveness has a relatively lesser or no positive impact on the purchase intention of the customers.

Therefore, we conclude that positive online reviews about any product or service along with the determinants of the eWOM like: - adoption, usefulness and credibility plays a major role in affecting the buying behaviour of the customers in relation to their purchase decisions.

9   Limitations and scope for future work

There are a few drawbacks to the research model of our study. The first limitation is the data which was collected through a questionnaire survey via google forms from 82 respondents which conducted on a larger sample given the pre-covid situation. Hence, future research can be conducted on a larger sample size collected from different parts of the country implementing better techniques such as: -exploratory methods, focus group interviews etc.

The second limitation is that our research did not specify the moderating variables such as product categories (experience products vs search products) and eWOM trust that can affect eWOM adoption as hence the purchase intention of the customers.

Hence, Future research can include all possible antecedent factors for eWOM adoption, usefulness and credibility that can have a significant impact on the buying behaviour of the customers.

10   References

1. Alharbi, M.K., Aziz, Y.A., Yusof, R.N.R. and Hamid, A.B.A. (2020) 'Moderating Role of Trust between eWOM Communication and Purchase Intention', *Journal of Development Economics and Finance,* Vol. 1, No. 1, pp. 44-53.

2. Ardyan, E. and Sudyasjayanti, C. (2020) 'The Importance of customer trust toward eWOM on customer behaviour: The Case of Generation Y in Indonesia', *Jurnal Manajemen dan Pemasaran Jasa,* Vol. 13, No. 2, pp. 213-226.

3. Bhat, N.Y. (2020) 'The influence of Electronic word of mouth (EWOM) on Consumers Purchase Intention: A review and analysis of the existing literature', *International Journal of Advances in Engineering and Management,* Vol. 2, Issue 1, pp: 97-107.

4. Bhat, N.Y. and Bhat, S.A. (2020) 'The influence of Electronic word of mouth (Ewom) on Consumers Purchase Intention: A review and analysis of the existing literature', *Journal of engineering,* Vol. 10, No. 6, pp. 27-36.

5. Febrian, A. and Fadly, M. (2021) 'The Impact of Customer Satisfaction with EWOM and Brand Equity on E-Commerce Purchase Intention in Indonesia Moderated by Culture', *Binus Journal Publishing,* Vol. 12, No. 1.

6. Filieri, A., Javornik, A., Hang, H. and Niceta, A. (2021) 'Environmentally framed eWOM messages of different valence: The role of environmental concerns, moral norms, and product environmental impact', *Psychology and Marketing,* Vol. 38, No. 3, pp. 43-454.

7. Haque, A., Kabir, S., Tarofder, A.K., Rahman, M.M., and Almalmi, A. (2020) 'What impact consumers' negative eWOM purchase intention? Evidence from Malaysia', *International Journal of Advanced Science and Technology,* Vol. 29, No. 9s, pp. 310-325.

8. Khwaja, M.G., Mahmood, S., and Zaman, U. (2020) 'Examining the Effects of eWOM, Trust Inclination, and Information Adoption on Purchase Intentions in an Accelerated Digital Marketing Context', *Information Technology and Consumer Behavior: Challenges and Opportunities),* Vol. 11.

9. Park, C.W., Sutherland, I. and Lee, S.K. (2021) 'Effects of online reviews, trust, and picture-superiority on intention to purchase restaurant services', *Journal of hospitality and tourism management,* Vol. 47, pp. 228-236.

10. Ruiz-Mafe, C., Bigne-Alcaniz, E. and Curras-Perez, R. (2020) 'The effect of emotions, eWOM quality and online review sequence on consumer intention to follow advice obtained from digital services', *Journal of service Management,* Vol. 31, Issue 3.