



## Role of eWOM in Customer buying Decision-making Process: A Conceptual Study

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**ABSTRACT:** World wide web has created a new two-way communication tool for the transmission of information and opinion called Electronic Word-of-mouth (eWOM). With the advancement of information technology and the rising access of consumers to digital media, buying decisions are highly influenced by eWOM. The rapid growth in the online and social media networking sites revolutionized the way information gets transformed and transmitted from buyer to the seller and vice versa. This paved the way to eWOM for consumers to voice their opinion and feedback about the products and services of various companies. It is paramount to understand the phenomenon of eWOM in this continuously evolving online shopping environment. One of the challenges of this research is the fast-paced changes in online review platforms and the way consumers' connect with them. This paper discusses and describes the importance and influence of electronic word of mouth over the traditional word of mouth and its role in influencing consumer buying decision-making process. The paper describes the eWOM concept systematically and brings out important parameters regarding eWOM comprehension, its usage, and potential.

**Keywords:** Electronic Word of Mouth; E-Commerce; Consumer Buying Behavior; Digital Marketing.

### I. INTRODUCTION

With the advancement of the World Wide Web (WWW) in the early 1990s through the internet, Electronic commerce started picking up across the world with many organizations going online to sell their products and services. E-Commerce offered an unlimited advantage of reaching customers across the world irrespective of their base. It bridged the gap between distance and time compared to traditional business [20]. The online business helped the organization to have a close relationship with customers with the help of the speed in communication via the internet as well as helped them to eliminate various operation costs. These factors helped organizations to be more profitable. With the rise and popularity of a new medium of marketing through online called digital marketing, many organizations started to explore online as the main channel for marketing and promoting their products and services. Digital marketing opened a new stream of two-way communication where organizations were able to convey to its customers the details about their products and services and options to buy online and customers got the opportunity to communicate to the companies on an open platform. These communications are in the form of reviews and recommendations which can be read and viewed by anyone called "Electronic Word of Mouth" (eWOM) [30]. In short eWOM communication means if any potential, existing or past customer or consumer who makes favorable or unfavorable comments or statements about the product or service they experienced or are going to experience which is available to a larger audience via the internet [20]. One of the major difference between traditional WOM versus eWOM is that in traditional WOM, the message

disappears as soon as it is delivered, as it is just a conversation between two individuals, whereas, in eWom, the message remains available for others to see for a longer period. The commonly used eWOM methods include online reviews, blogs, customers post in social media and messages posted on various online groups. Another advantage of eWOM is that through the internet a new medium is created between consumers who never knew each other or met before are now able to communicate with each other [31]. This paper outlines the influence of WOM on an organization or its brands and products. The paper also describes the eWOM and its characteristics, the difference between traditional WOM and eWOM and outlines the opportunities and challenges faced by organizations in the usage and applications of eWOM.

In this generation where Web 4.0 applications have become an integral part of each and everyone's lives, brands, and retailers are exploiting various opportunities of the power of digital marketing to promote and create customers for their products and services. Advancement of the web has paved the way for the development and popularity of a new communication called electronic word of mouth (eWOM) which includes reviews, blogs, online forums, E-bulletins, social networking sites such as Facebook, Instagram, Twitter, etc [8]. The main advantage of eWOM is customers get the opportunity to get information and feedback about the products not only from the people they know but also get to know the feedback and experience from a new set of people who experienced the same products and services from other parts of the world [23]. One of the main reasons eWOM is getting popular is that the consumer considers online views and opinions as trustworthy in comparison to the

self-created communication from the brands (Nielsen, 2007) [1]. Rowley (2001) proposed that organizations should create online communities and encourage discussions and reviews digitally rather than focusing only on advertising online. All these studies prove the strong impact of eWOM in influencing customers in their decision-making process. This is descriptive research where the author has tried to outline the phenomenon of eWOM, important reasons for its importance and implications of eWOM on business [25].

## II. WORD OF MOUTH

Generally, consumers and customers have the tendency to copy, imitate and follow each other as defined in the social learning theory [2]. Apart from the above, they also talk to each other to get more information and feedback. The communication process wherein consumers share detailed information and their opinion based on their experience with others, which influence new customers to buy, or not to buy a brand or product verbally or face to face is called Word of Mouth communication [12]. There are various reasons why consumers like to talk about a particular brand or service such as satisfaction level, if the satisfaction customer derived by using the product is extremely positive or extremely negative (dissatisfaction), commitment towards the organization or brand, the duration of time the customer has used a particular brand or service, and its novelty feature. Some of the studies show that the factors, which motivate consumers to share their experience with others, can be satisfaction, value for money, pleasure factor, and knowledge from their experience [21]. The history of WOM tells that WOM got popular because of opinion leaders, and these opinion leaders gained popularity because of the way they exposed themselves in front of others with their interest and knowledge in a particular product and service field. Opinion seekers or prospective customers trust opinion leaders to provide them with knowledgeable advice so they could make the right purchasing decision [3]. Various studies in this area identify factors such as product expertise [9], the closeness of relationship [11] similarity in demographics [12] and sharing of similar interests [16, 7].

The main outcomes of influence of WOM are its influence in product's testing and evaluation, references, identification of buyers perceived value, trust and loyalty factors which eventually influences customer buying or rejection of the particular brand or service. WOM is considered a powerful decision-making influencing tool.

## III. WORD-OF-MOUTH INFLUENCE

Studies in WOM proves that private discussions, conversations and informal sharing of feedbacks and information with each other definitely influences consumer choice and decision-making process as well as create consumer expectation level, attitudes before purchase and post-purchase perception [15, 19]. The main reason WOM is considered, as an effective marketing technique is a positive impact it creates in setting up a positive feedback mechanism. This positive feedback helps the organization in generating more sales and better brand visibility. Traditional word-of-

mouth (WOM) has and is playing a pertinent role in influencing consumer buying decisions and their choices [13]. Past research has found that word of mouth is the most powerful and convincing tool in marketing compared to traditional advertising and personal selling [13]. When sales are created because of WOM, it leads to another sale and it keeps going on creating furthermore WOM and sales [5].

## IV. ELECTRONIC WORD OF MOUTH (eWOM)

With over 40% of the world population using the internet today, it has opened new platforms for communication empowering both sellers and consumers, wherein they use this platform for sharing information, opinions, and feedback. This platform has a high impact on Business-to-Business, Business to Consumer as well as Consumer to Consumer. Electronic word-of-mouth (eWOM) communication can be described as any statement whether it is positive or negative made by past current as well as potential customers about any specific product, brand or company that is open for multiple people as well as institutes via online [10].

eWOM can be considered as an upgraded version of traditional interpersonal communication into the new world of the internet. Recently there has been a lot of interest and attention given to finding out how much influence eWOM has on the consumption of a particular product and service [28]. In his study discusses the various opportunities and threats created by online customer articulations and their impact on various businesses. A study conducted by explains how eWOM impacts and influences brand and product choice of consumers because of the various comments and recommendations available online [26].

eWOM is promoted through various online platforms like blogs, discussion boards, review sites, and other internet-based communication sites and tools, which in turn acts as an influencing factor for customers in the adoption of products and services [29]. There are studies happening in this space to find various reasons why customers are giving more importance to eWOM in their purchase decision-making process [8] and to find why people share feedbacks online, e.g. [10]. Such studies will help organizations to have a better understanding of consumer behavior for them to implement marketing strategy accordingly. Till now from all the studies conducted in this subject proved that, eWOM is one of the most influential factors contributing to customer buying behavior, and hence needs to be added to the marketing mix for the success of any organization and to win customer loyalty.

## V. ONLINE REVIEWS

When customers post their feedback about the product or service online irrespective they shopped online or offline, it is called online reviews. These reviews can be either positive or negative. If the customer is not happy with the product quality or service as communicated or promised by the brand, customers use the online reviews as a tool to express their dissatisfaction with the intention of helping other potential consumers from not buying and availing the same. In addition, if they are extremely happy with the quality and service they do

post positive feedbacks, which helps these brands to get more customers. These online reviews form one of the most important forms of eWOM.

Online review act as the major influencing factor in the service industry such as hotel, restaurants and airline industry. These reviews of consumers influence other customers whether to go for the product and service or not [6]. These reviewers can be classified into two categories, one as an informant and the other one recommender. Informant gives in-depth information and specification about the products from his experience which may not be mentioned or available otherwise [6]. In the case of the recommender, they give either a positive or negative recommendation about whether to buy the product or not [6].

## **VI. INFORMATION QUALITY AND SOURCE CREDIBILITY**

The quality and credibility of information provided via eWOM are very important as it plays a very important role in the success and failure of origination and its popularity. There are prior researches conducted to identify the importance of information quality, its credibility, and its source [4]. As online is an open platform, where anyone can publish and write any details as per his understanding and experience, the quality and intention of such information is always a question mark. There are laws against spreading wrong and incorrect information, which can affect the reputation of the firm in various countries, still, studies showcase of wrong information widely available online [27]. The quality of such arguments is proportionate to the persuasive power of arguments attached in an informative message [2].

As per the end-user analysis regards the accuracy of content, it is based on its appropriateness, aptness, and precision as perceived by the end-user. In accordance with the invention and expansion of online shopping, researchers started to analyze and interpret available information and its accuracy and quality dimensions [9]. Mention that the accurateness, clarity, relevancy, wholeness, progressive ideas, customization, and diverseness are the key factors that attribute to the quality of information [17]. Mention three key factors when it comes to the quality of information; they are comprehensible, trustworthiness, and practicality of information.

Source credibility means the perception derived by the recipient of the message about the source from where he got the message rather than the credibility and accuracy of the message. Source credibility is defined as the level to which the source from where you are getting the information can be trusted, credible and acceptable by the recipient [24]. The impact of the credibility of the source has a high influence on the decision-making process by the recipient. If the recipient considers the source, highly credible, the impact is high and if he feels the credibility of the source is questionable, the impact is low. The influence of the message on a buyer is directly related to the positive nature and attributes of the source [5]. Data from a highly trustworthy source is considered positive, influential and reliable.

## **VII. eWOM EFFECTIVENESS AND ITS ATTRIBUTES**

Customers find it difficult to make purchasing decisions: like which product to buy online because of the limitation of touching and feeling the product features and specifications. Hence, it becomes important for him to get information from someone who already bought the same or some expert opinion, which will help him to finalize which brand or model to buy. Hence the majority of the online customers trust and take the Opinion and reviews of past customers available online called the eWOM.

Organizations have created space on their home page as well as various social media sites like Facebook, Twitter, Instagram, etc. wherein everyone can share their feedback about the products. The review of the product attributes and experiences for others culminates in eWOM, There are many studies conducted in the field of eWOM related to the effectiveness of eWOM wherein it proves the effectiveness it possesses in influencing consumer buying behavior. We can classify these studies into two types, effectiveness based on the market level as well as individual level. The main difference between the two is perceived with respect to how others view the information from both segments. Among the consumer, the feedback or opinion about the product is created from the accumulation of the eWOM archives the reviews and its relationship with similar product eWOM also create a pool of thoughts enabling decision making. On an individual level, the effectiveness is identified and analyzed on how the customer for getting information uses eWOM and how it affects his decision-making process [14].

## **VIII. TRANSITION FROM WOM to eWOM**

Before the internet became popular, the consumers used to share their product and service-related opinions and experience through traditional word of mouth. Customers used to talk to each other to gain information when they were not sure which product to buy. They trusted the feedback they received from the people they trusted and knew. However, this decision-making path is expected to change, as customers become more tech-savvy and are exposed to the internet; they can get information and reviews about products and services online from any part of the world. The behavior of customers' changed with the influence of the internet, wherein customers do share their feedback and experiences online (eWOM) as soon as they buy the product so that it helps others in taking decisions. This has lead organizations to improve their products in terms of quality and services. This change in organization behavior, where they have become proactive rather than reactive is due to the eWOM impact on the brand. If the quality of the product is below expectation customers can give bad reviews, which can affect the sales of the product. eWOM comes with a lot of advantages over traditional WOM, whereas in the traditional WOM exchange of information is only private and is limited to few numbers of people commenting on the same the eWOM can be found as public feedback and conversations and opinions from customers across the world [5]. The main difference between eWOM and

WOM is eWOM is online, its digital in nature with no face to face interaction and eWOM is made voluntarily irrespective of the demand for the feedback, wherein WOM information is generally given only when it is asked and disappears the moment it is transferred.

### IX. INFORMATION ADOPTION -eWOM ADOPTION (ELM) MODEL

Even if eWOM generates information online, the main impact of the information available differs from person to person how he interprets the same. The same information can be interpreted in different ways by different customers based on their knowledge, understanding, perception as well as the credibility of the source [5]. This variability in the perception of similar content gained a lot of attention from researchers to find out how the same information influenced the different types of customers [18].

Available research based on information systems explains knowledge, ideas and information influence on customers with the help of dual-process theories [2] with the help of the Elaboration Likelihood Model (ELM) explains how the theoretical model of information available across online media influences people in their buying decision-making process. ELM explains how people are influenced by information. There are two ways in which peoples' behavior and attitude can be influenced. A central way where importance is given to the nature of the argument and the peripheral manner, which relates to the issues and themes, which are not directly related to the subject matter (Fig. 1) [24].

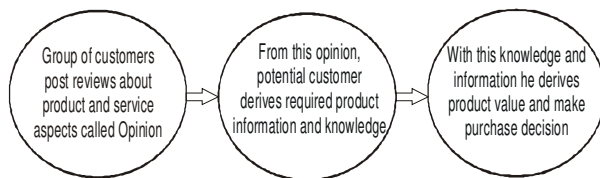


Fig. 1

### X. OPPORTUNITIES AND ISSUES of eWOM

The internet has created both positive and negative impacts on electronic word-of-mouth. [R. E. Goldsmith, 2006]. The major advantage eWOM to consumers is that they get access to information, feedback, opinions, and observations about the product and service they are looking for with a click from anonymous sources scattered across the world, These sources are perceived to be the users of the product with firsthand experience Most of the studies conclude that the customer trust factor when it comes to eWOM is very high [1].

#### A. eWOM Customer Decision-making process

Some of these studies underline the importance and potential impact of eWOM in the customer decision-making process. The organization can save the cost of traditional marketing and advertising campaigns by encouraging customers to give feedback [10]. The most commonly used medium by customers for sharing their views and opinions online are Blogs and Virtual discussion communities groups, product review sites,

brand websites, emails, instant messaging applications like WhatsApp, WeChat, social media sites such as Facebook, Twitter Instagram, etc. With the help of these streams, messages on eWOM can be shared one to one, one to many as well as many to many. There is no end to information propagation and the information can be spread across the world at a rapid speed, which can act both positively as well as negatively [22]. Negative information or wrong information being spread online is the major issue of eWOM, which can bring a bad reputation to the organization. Unethical business practices lead to negative information spreading online which can mislead customers who are potential buyers and this is mainly due to the anonymity of the communicator [30].

### XI. CONCLUSION

In this paper, the theoretical framework of eWOM is provided. To gain more customers in this digital world companies should adopt multiple ways to provide information about their products and service available online. This will help to have a high impact eWOM for the organization. Giving importance to various online consumer forums and online discussions will help them to influence customers' opinions about their product offerings. Companies should focus on providing the right and accurate information to consumers to ensure better acceptability of their products and to create customer and brand loyalty. Relevance and comprehensiveness of information are as important as the credibility of the source from where information is posted. Similarly, the accuracy of information floating online is another important factor in eWOM. Online users always get confused with people posting opposite reactions about the same product, hence companies should respond to such enquires to clear any confusion in the mind of the prospective customers. With the high growth in Online retailing business, the importance and power of eWOM are growing, it is perceived to be a major influencing factor in the customer decision-making process. The advancement of technology has paved the way for the organization to create an intense level of interaction with its customers like online chats, review pages, feedback messaging systems, and emails and call back facilities. These technological advancements help companies to influence the customers and going forward eWOM will be the most powerful tool in marketing as well as the consumer buying decision-making process. This study focused only one WOM evolution as a platform for consumer decision making. Further research needs to identify which parts of consumer decisions are impacted and in what manner by the online reviews. Further research may also identify the buying motives being influenced by the online reviews and motives being influenced by offline reviews. The research in this area may also study the impact of the positive and negative reviews on different product categories. Further research needs to identify the review platforms' degree of effectiveness.

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