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Does Prior Experience Reduces the Effect of Word of Mouth Communication?- An Empirical Analysis

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Abstract:

This research takes into account the EFFECT OF WORD OF MOUTH COMMUNICATION on customers. We use survey technique to understand the power of positive and negative word of mouth communication on consumers. A general hypothesis is tested that is whether word of mouth has any effect on consumers, then getting positive response we precede further and bifurcated word of mouth communication into positive word of mouth and negative word of mouth communication. Lastly this research strengthens our notion that word of mouth has no effect on receiver (of word of mouth communication) provided he/she has prior experience.

Key words: Communication (Comm.), Word of Mouth (WOM), Positive Word of Mouth Communication (PWOM), Negative Word of Mouth Communication (NWOM), Consumer Satisfaction (CS), Consumer Dissatisfaction (CD)

1. Introduction

Word of Mouth Communication is a non-commercial, unpaid form of advertisement, done by the people who are not a part of the product flow (directly or indirectly) nor get anything in return from the manufacturer or producer. The flow of word-of-mouth information among consumers has long been recognized as a form of individual behaviour that contributes to the aggregate operation of markets.

According to Harvir S. Bansal & Peter A. Voyer (2000) states that most of the popular managerial literature contends that the WOM Communication process is one of the most powerful forces in the marketplace (Henricks 1998; Marney 1995; Silverman 1997). Indeed, it tends to be highly persuasive and, in turn, to be extremely effective (Bristor 1990). This is primarily because consumers frequently rely on informal and/ or personal communication sources in making purchase decisions as opposed to more formal and/ or organizational sources such as advertising campaigns. In WOM, the source (sender) of the information generally has nothing to gain from the receiver's subsequent actions (Schiffman and Kanuk 1997).

Consumers frequently rely on word-of-mouth (WOM) communications to make purchase decisions. The importance of WOM in the marketplace is well recognized because of the definitive role it plays in shaping consumers' attitudes and purchase behaviour. Research on WOM communication has examined the extent to which the effectiveness of the WOM communication process is affected by several predictors, such as the valence (positive or negative) of WOM communication, characteristics of WOM receivers and providers, and various situational factors (Arndt 1967). Though such studies have undoubtedly expanded our understanding of the WOM phenomena, there are other salient aspects of WOM communication that remain virtually unexplored. One related, unexplored issue pertains is prior experience of the consumer.

2. Past Studies

This section provides a review of the relevant literature. The literature addresses the framework. This literature review focused on the prior experience of receiver of word of mouth communication.

Danaher and Rust (1996) empirically show that customer satisfaction has a positive impact on the WOM, which, in turn, has a positive impact on sales and market share of the firm; Hogan et al.(2003) shows that WOM is more important during the early part of the product life cycle, because the early adopters' WOM affects the growth rate of product adoption; and it has been well established (e.g., Zeithaml et al. 1996, Anderson et al.2004) that customer satisfaction is positively correlated with the firm's financial future. Our theoretical analysis is consistent with the results of the above studies and suggests that higher WOM have an effect on the purchase intention of the receiver (who receives WOM communication from others).

- Hypothesis 1: WOM have an effect on the purchase intention of the receiver

Herr, Kardars and Kim (1997) seemed to find similar results related to WOM communication and product evaluation. Among other things, they found that negative WOM information does indeed decrease familiarity with a product. Their research concentrates on the method in which the message is delivered (vividly vs. pallidly) and the type of information that is given

(anecdotal vs. attribute information). The researchers present **three hypotheses** that extend over two experiments. In the first experiment, eighty-four college undergraduates were used to determine if WOM communication is more potent than pallid printed information. Information about a particular item (in this case a computer) was presented to the undergraduates through WOM and print media. The results indicated that WOM communication is more potent and more important in consumer judgment of a product than less vivid printed information. In the second experiment, Herr, Kardes and Kim (1997) used one hundred twenty college undergraduates to find if WOM communication can effect product judgment if previous judgment is available. The researchers were also interested in finding if vivid WOM communications affect product judgments if negative judgments were available. The subjects were given pervious information about a product (in this case a car). Afterwards, a confederate was put in with student groups to manipulate the subjects. The researchers found that a vivid WOM communication has a reduced effect on product assessment when the consumer already has a negative opinion of a product. The researchers claim that consumers are likely to trust their own opinions more than they trust the opinions of others. Still, it is concluded that WOM communication has a strong impact on product judgment because it is accessible and vivid.

- Hypothesis 2: WOM is more potent and more important in consumer judgment of a product
- Hypothesis 3: Consumers are likely to trust their own opinions more than they trust the opinions of others.

3. Research Methodology

This section deals with the methodological steps adopted in the present study. The research procedures which we had followed have been described under the following headlines:

3.1. Research Design

Both primary and secondary sources of information have been used in this study. Previous studies have been reviewed in order to develop a conceptual framework underlying WOM communication. Articles published in leading journals, economic dailies, business magazines, newspapers, books, committee reports worldwide including India, empirical studies published in the professional and academic journals and websites have been consulted for developing the theoretical framework for the study.

A structured questionnaire has been used for the purpose of primary data collection. Likert scale type questions have been asked to the respondents on the lines of study conducted by Robert et al. (2008) and Herr, Kardes and Kim (1997). Delhi university students are taken as the sample unit. The sample has been drawn from the target population by using convenience sampling technique.

3.2. Objective

- Comparative analysis to the responses of word of mouth in the different categories of consumer's age.
- To consider the knowledge of consumer regarding product and word of mouth communication
- To ascertain whether prior experience of receiver lessen the effect of WOM communication.

3.3. Significance of the Study

This study holds significance for manager as well as for future research. Firstly, the study confines to DU students yet this finding is relevant to manager to understand whether WOM is important or not in influencing purchase decision. Secondly, what would happen when receiver had prior experience about that particular product?

The purpose of this study is to understand the aftermath behaviour of prospective buyers after they have been exposed to WOM communication and what would be the difference if the same situation is supported by a prior experience of the receiver.

3.4. Major Research Questions

For any investigator conducting a study, the research question and hypothesis is a key preliminary step. The research question (sometimes called the problem statement) presents the idea that is to be examined in the study and is the foundation of the research study. Hypotheses can be considered intelligent hunches, guesses, or predictions that help researchers seek a solution or answer a research question. Hypotheses are a vehicle for testing the validity of the theoretical framework assumptions and provide a bridge between theory and the real world.

In this study, WOM communication is been studied by dividing customer into two groups, number one "sender" who pass the information to others in the market place without any intention to get anything in return and the second one is the "receiver" of information (WOM communication).

This study identifies the relationship between the sender and receiver of WOM communication while behaviour of receiver of WOM is restricted to favourable and unfavourable intention to purchase. A survey was conducted in "University of Delhi" to check the research hypothesis.

Two major research questions examined in the study are: to know whether WOM has any effect on receiver and to ascertain if there is any difference in response if the receiver holds a prior experience. To better understand response, WOM is been bifurcated into positive WOM and negative WOM, and accordingly research hypotheses have been framed keeping in mind previous research.

Some of the hypotheses to be tested in the study are as follows:

- H_{10} = PWOMC has no effect on purchase intention
- H_{20} = NWOMC has no effect on purchase intention
- H_{30} = PWOMC and NWOMC have same effect.

3.5. Research Question

In Summary, the question that we raise is:

- RQ1. Which has the most impact on product choice, PWOM or NWOM?
- RQ2. Do PWOM have a positive response on purchase intention?
- RQ3. Do NWOM have a negative response on purchase intention?
- RQ4. Do PWOM have a positive response on purchase intention provided receiver hold prior experience?
- RQ5. Do NWOM have a negative response on purchase intention provided receiver hold prior experience?

3.6. Research Framework

The research procedures which we had followed have been described under the following headlines:

- Selection of locale: The present study is been conducted in Delhi.
- Selection of sample:
 - Sampling unit – Delhi University students.
 - Sampling size – The main criteria of sampling is to select male and female both between the ages of 18-30.
 - Sampling Method – In this term paper both convenient and random sampling method of probability is used.
 - Sampling Area – Study try to cover different course and state students living in DU hostel or in Delhi.
- Time dimension: – Cross Sectional
- Timing: -- The survey is done in the mouth of May and June, 2011 in Delhi University North Campus.
- Tools and technique used in the study:

Primary Data – Questionnaire (Close ended).

Secondary Data – Books, journal, research papers and internet source.

Research Approach – Survey technique.

- Procedure for data collection: After identifying the respondents, (in Jubilee Hall, Gwyer Hall, Department of Commerce and Lakshmbai College) questionnaire is been distributed to get their responses. No incentives were used. The questionnaires carried a range of questions. Respondents were asked to state how they would respond if they received symmetrically phrased positive and negative advice from a friend. The response was registered on a 5-point scale. The questions and scales are illustrated in Appendix.
- Statistical Analysis: – After collecting the required questionnaire the next step is to numerically coding of the responses. Then the coded form of data is fed into computer via SPSS software. Keeping in view the objectives of the study the data is analysis by applying – probability, mean, one-sample t-test and paired sample t- test for drawing our conclusion.

3.7. Research Hypothesis

This section states the hypothesis taken in this research.

- Effect of WOM, PWOM and NWOM.
 - H_{10} = PWOM has no effect on people opinion.
 - H_{20} = NWOM has no effect on Purchase intention.
 - H_{30} = PWOM and NWOM have same effect
- Effect of WoM, provided the respondent had a prior experience about the product.
 - H_{10} = PWoM has no effect on Purchase intention.
 - H_{20} = NWoM has no effect on Purchase intention.

4. Analyses

This section described the analysis of data followed by a discussion of the research findings. The findings relate to the research questions that guided the study.

Age Group	No. of respondent	Mean Scores	
		PWOM	NWOM
below 19	19	3.736842	3.789474
20-22	14	4.500000	3.785714
23-25	34	4.411765	4.117647
Above 25	24	4.416667	3.916667
Total	91		
Overall	Mean	4.29	3.95
	S.D	.793	1.015
	Std Error	.083	.106
One Sample t-test	Degree of freedom	90	90
	t-calculated	15.470	8.882
	Sig.(2 tailed)	.000	.000
Paired Sample t-test (between PWOM & NWOM)	t-calculated	-2.659	
	Sig.(2 tailed)	.009	

Table 1: Age wise analysis of Word of Mouth Communication (WOM), Positive WOM and Negative WOM
Notes: Hypothesis Mean = 3, Level of Significant = 5%

It can be seen from the above table that,

- The mean of the variable PWOM is 4.29, which is statistically significant. Hence, do not accept null hypothesis (H_{10}).
- The mean of the variable NWOM is 3.95, which is statistically significant. Hence, do not accept null hypothesis (H_{20}).

The above table shows that the respondents across the age group have a favourable feeling towards PWOM as compared to NWOM. Hence, null hypothesis (H_{30}) is not accepted, implying that the mean of the variables NWOM and PWOM is statistically significant.

	Null Hypothesis	Accepted / rejected
H ₁	PWOM has no effect on purchase intention.	X
H ₂	NWOM has no effect on purchase intention.	X
H ₃	PWOM and NWOM have same effect.	X

The result indicates a relationship between WOM and purchase intention. This finding is consistent with the many previous studies which found significant relationship between WOM and purchase intention. Tax et. al 1993 shows that WOM of sender has an effect on receivers purchase intention, Kardes and Kim 1997 shows that WOM is more potent in consumer judgment of a product. While East et al 2008 shows that the impact of PWOM is generally greater than NWOM. The finding is consistent with the previous researches.

Now let's check the same hypothesis provided respondent have prior experience.

Age groups	No. of Respondent	Mean Scores	
		PWOM	NWOM
below 19	19	2.842105	3.842105
20-22	14	3.071429	3.142857
23-25	34	2.647059	3.000000
Above 25	24	2.791667	3.208333
Total	91		
Overall	Mean	2.79	3.25
	S.D	1.080	1.216
	Std Error	.113	.128
One Sample t-test	Degree of freedom	90	90
	t-calculated	-1.844	1.982
	Sig.(2 tailed)	.069	.051

Table 2: shows the mean response of these respondents on the basis of their age differences
Notes: Hypothesis Mean = 3, Level of Significant = 5%

It can be seen from the above table that,

- The mean of the variable PWOM is 2.79, which is statistically significant. Hence, do not reject null hypothesis (H_{10}).
- The mean of the variable NWOM is 3.25, which is statistically significant. Hence, do not reject null hypothesis (H_{20}).

	Null Hypothesis	Accepted / rejected
H ₁	PWOM has no effect on purchase intention.	✓
H ₂	NWOM has no effect on purchase intention.	✓

5. Result

Prior experience about a product reduces the effect of WOM.

- PWOM does not have a positive response on purchase intention
- NWOM does not have a negative response on purchase intention.

The results are consistent with the result of Herr, Kardars and Kim (1997) which states that Consumers are likely to trust their own opinions more than they trust the opinions of others.

6. Conclusion

Purchase intention influenced to a greater extent by the suggestion and references given by the near and dear ones (Relative, Family, friends, neighborhood, referential group, general public intention- published reports, unpublished reports etc).

To evaluate the consequences of WOM Comm., 4 group of respondent were formed on the basis of their age. Of the 91 respondent, 47.25% were male and 52.75% were female. Approximately 20.88% were below 19 age group, 15.38% were between 20-22 age group, 37.36% were between 23-25 age group and 26.37% above 25 age group. Out of the 91 respondents, 91.31% are affected by WOM, 90.11% affected by PWOM and 72.53% affected by NWOM. And in the analysis we find that prior experience reduces the influence of PWOM and NWOM Comm., which shows that people give more value to there our experience rather than WOM of others.

6.1. Future Research

We acknowledge that our study is limited to DU, North Campus students only. It is clear that further research is needed to examine differences in the effect of consumer responses across region, culture and product. Online behavior (references) should also be considered.

6.2. Unresolved Issues

This study cannot be generalized, as it is concern to a limited area and respondents.

As all the respondent are student, so the age categories below 19 only includes the age group between 17-19 as no one can be admitted to university below 17. Similarly the respondents who are in the category above 25 are all know to us and as far as we know they are not above 30. May be some respondent given a biased answer as out of the 91 respondents maximum are known to us. It is clear that much additional research needs to be undertaken.

7. Appendix A

All the items were measured on a five point Likert scale. Additionally, the superscript refers to the scale anchor points for each question. As such, 1 = “strongly disagree”, 2 = “agree”, 3= neither agree nor disagree, 4 = “egress” and 5=“strongly disagree”

8. Appendix B

- (a) Gender
 Male
 Female
- (b) Age
 Below 19
 20-22
 23-25
 Above 25
- (c) Suppose you are looking for a new restaurant. A friend tells you that he/she has had a negative experience with a particular restaurant. Would this stop you from going there?
 SD - Strongly Disagree
 D - Disagree
 NN - Neither agree nor disagree
 A - Agree
- (d) Suppose you are looking for a new restaurant. A friend tells you that he/she has had a positive experience with a particular restaurant. Would this encourage you to go there?
 SD - Strongly Disagree
 D - Disagree
 NN - Neither agree nor disagree
 A - Agree
 SA - Disagree
- (e) When you are unfamiliar/ highly upset from a particular deodorant brand, but you receive Positive comment from your close ones about it that “It is the best product”. Would you like to purchase it?
 SD - Strongly Disagree
 D - Disagree
 NN - Neither agree nor disagree
 A - Agree
- (f) When you are highly familiar/ highly happy from a particular deodorant brand, but you receive Negative comment from your close ones about it that “It is the worst product”. Would you still purchase it?
 SD - Strongly Disagree
 D - Disagree
 NN - Neither agree nor disagree
 A - Agree

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