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Investigation on the Impact of eWOM on Social Media towards the Purchase Intention of Consumers in Retail Industry in Sri Lanka

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Abstract:

Sri Lankan retail industry is in a very competitive stage. Most of the retailers are using the social media as their main marketing and communication system. This research main aim is to investigate the impact of eWOM (electronic word of mouth) towards the purchase intention of the Sri Lankan consumers. When the consumers are reading online posts and feedbacks to purchase the retail products in Sri Lanka, the eWOM became one of very important factor the present research examined 4 main factors to find out the impact of eWOM towards the purchase intention. The main factors are credibility, trustworthy, informative and message relevance. This is a descriptive research and quantitative data collected method was applied to obtain the fresh data from respondents.

Data were collected using both primary and secondary data. The questionnaire based survey sent to 250 respondents which covered western and southern provinces of Sri Lanka. The research used spss (social sciences statistical package) for the analyzing the data.

There are different types of analyses were used in this present research. Those are descriptive analysis, factor analysis, and regression analysis. The research outcome of this research gave very interesting findings. The credibility, trustworthy, informative and message relevance have and positive significant influence towards the purchase intention of Sri Lankan consumers. The "sig" p value was less than 0.05 such as 0.000 of credibility, trustworthy, message relevance and informative factors. This research have find out how the eWOM can be impacted towards the purchase intention with the above findings.

Keywords: Purchase intention, credibility, trustworthy, message relevance, informative

1. Introduction

The retail industry of Sri Lanka is in a very competitive stage. The shoppers visiting the retail store view the store attributes as their experience. Retailers design the structure and various in store elements considering the quality of the experience that they wish to offer for implementing consistent service procedures. The physical environment of the retail store consists of viz, look of the store, equipment and facilities in the store, the ambience of the store, sales staff behavior in the store, institutional factors and other evident cues that shall offer evidence of service quality to shoppers. Consumer selection of retail patronage mode has been widely researched by marketing scholars. Several researches have done in this sector.

Despite the wide spread belief that internet shoppers are primarily motivated by convenience, (Brown, Poper & Voges 2003). Slow growth and intense competition on retail markets in recent years increases the need for retailers to use strategies focused on retaining and attracting the right customers. However, a strategy that is effective in acquiring new customers may not be the most effective in retaining current customers. (Sirohi, Aughlin & Wittink 1998). For more than half a century, researchers have studied the power that word-of-mouth conversations have in the marketplace. These informal conversations between friends, family, co-workers and neighbors have been found to have a significant impact on consumer choice and to be more effective than traditional marketing tools, as they are typically perceived as more credible and trustworthy than commercial sources (Allsop, Bassett, & Hoskins, 2007; Arndt, 1967a; Engel, Blackwell, & Keggerreis, 1969; Gruen, Osmonbekov, & Czaplewski, 2006; Katz & Lazarfeld, 1955; Keller, 2007; Liu, 2006; Whyte, 1954). "The reasons for WOM's power are evident: word of mouth is seen as more credible than marketer-initiated communications because it is perceived as having passed through the unbiased filter of 'people like me'" (Allsop et al., 2007, p. 398).

The advent of the Internet and its interactive capabilities introduced a new form of word-of-mouth, called electronic word-of-mouth (eWOM), that exists online and allows consumers, who are typically strangers, to interact with one another and share their opinions about various goods and services through review sites, social networking sites, blogs, content-sharing sites and other forms of social media. This consumer-to-consumer communication has become increasingly influential in consumers' purchasing decisions and has shifted the power of influence from marketers to consumers, as today's consumers are no longer passive receivers of product-related information but rather active communicators who seek fellow consumers' opinions and offer their own (Chu & Choi, 2011). "So while WOM has always

been important, its importance today is higher than ever. As the credibility of 'official' marketing messages is waning, the power of on 2 consumers recommending a product to another — or to many — is waxing" (Keller, 2007, p. 449).

This research conducted to investigate the main factors eWOM which is impacting towards the purchase intention of retail industry in Sri Lanka. Nowadays social media is one of very important communication system in the retail industry. The Objective of the research

- Find out the impact of eWOM towards the purchase intention
- Investigate the most impactful factor of the eWOM towards the purchase intention
- Describe the eWOM impact towards the Sri Lankan Consumers intention

To indicate these objectives 5 main hypotheses were created.

- H1: The trustworthy has a significant and positive impact towards the purchase intention
- H2: The Credibility has a significant and positive impact towards the purchase Intention
- H3: the Message relevance has a significant and positive impact towards the purchase intention
- H4: The Informative has a significant and positive impact towards the purchase Intention
- H5: the eWOM has an impact towards the purchase Intention

As many of the retailers are using the social media to reach many people at once and they can give feedback as well. This situation make a motivation to conduct this research as the eWOM is one of main factor of influencing towards the consumer purchase intention. These findings will be supportive to all the marketers and the academics as the findings can be applied in several marketing theories. This is a quantitative research and descriptive research. This research is basically finding out four independent variables such as trustworthy, credibility, message relevance and informative. This research is finding out that the impact of these each factor towards the purchase Intention.

2. Literature Review

2.1. Purchase Intention

Purchase intentions have been widely used in the literature as a predictor of subsequent purchase. A number of studies have supported the notion that store image is an important component of store patronage (Nevin and Houston, 1980). More specifically, Buckley (1991) found a link between store image and intention to purchase a product. Past research has found that purchase intention is also positively associated with perceive Purchase intention is the preference of consumer to buy the product or service. In another words, purchase intention has another aspect that the consumer will purchase a product after evaluation. Many factors affect the consumer's intention while selecting the product and the ultimate decision depends on consumers' intention with large external factors (Keller, 2001). Decision making about purchase is affected by the group in selection procedure of a brand for known products. The selection of a brand based on group cohesiveness of the brand (Witt & Bruce, 1972). The information about the brand have been used by the other group members also affect the decision to skip the existing brand and to move on to the purchase those brand that is using by other group members (Witt, 1969). So the great orientation to consumer's members impact to other members to buy particular brand used by the other group members (Moschis, 1976). Many factors intended to purchase intention which is customer knowledge, perception of consumers, product packaging or design and celebrity endorsement etched value (Dodds, Monroe, and Grewal, 1991; Grewal, Monroe, and Krishnan, 1998).

2.2. eWOM

"What are the driving factors for members to exchange eWOM in an online community?". The parent disciplines are composed of online communities of consumption and antecedents of eWOM, and the immediate discipline is member motivations for eWOM exchanges in online communities. There are two types of online communities of consumption: online communities of practice and online communities of interest (Pitta & Fowler, 2005b). Online communities of practice are where consumer groups who are involved in a shared practice activity have a primary purpose to develop their particular skills and abilities by exchanging knowledge with others in order to achieve a problem-solving goal (Pitta & Fowler, 2005b; Wasko & Faraj, 2005) in particular fields, such as software development (Bonaccorsi & Rossi, 2003). Knowledge exchange about updated information and personal experiences with products has an influence on member perceptions of the overall value of products, and leads members to generate positive eWOM by recommending the products to others (Gruen, et al., 2006). Consumers in online communities of practice, such as software development, place importance on knowledge exchange, and thus are less likely to build close social relationships with others (Hall & Graham, 2004; Wasko & Faraj, 2000). This is because discussion topics, such as code breaking is "an intellectual rather than social pursuit" (Hall & Graham, 2004, p. 242). In other words, consumers tend to place value on the capacity to acquire and apply knowledge instead of social bond building in the communities (Hall & Graham, 2004).

eWOM's influence in relation to consumer decisions has been examined across numerous industries, such as tech-electronics (e.g., DVD players and computers), high touch retail (e.g., clothing, appliances and furniture), no-touch services (e.g., travel, vacations and financial services), household staples (e.g., beverages and pet supplies) and online entertainment (e.g., movies, music, games and television content available on the Web) (Riegner, 2007); eWOM is most likely to influence purchasing decisions for items that are more complex, expensive and highly coveted, such as technology and consumer electronics and less likely to influence low-involvement products, products mainly purchased in stores that buyers want to see, feel or try-on, such as clothes and furniture, and products that are personal or confidential in nature, such as financial services (Riegner, 2007). In addition, eWOM has also been found to have a strong influence on complex and high-risk purchasing decisions, such as travel (Hernández-Méndez, MuñozLeiva & Sánchez-Fernández, 2013).

2.3. eWOM on Social Media Platform

Online chatter is spontaneous, passionate, widely available, low cost, granular, and live (Tirunillai and Tellis 2014). Furthermore, it affects consumer behavior because consumers have high trust in chatter from other consumers (Blackshaw and Nazzaro 2006). For example, 92% of consumers trust recommendations from friends and family more than any other form of advertising (Lithium 2014) Online chatter is easier for firms to measure and monitor than traditional word of mouth (Tirunillai and Tellis 2012). The high visibility and impact of online chatter can be catastrophic for negative events. Classic examples include the iPhone antenna fiasco (Sorrel 2010) WITH THE EMERGENCE OF THE INTERNET; eWOM (electronic word-of-mouth) has become an important influence on consumers' product evaluation. Prospective customers visit Web sites and read reviews from other customers (eWOM) to learn more about a product before making a purchase (Doh, Hwang, 2009) "Dell Hell" (Hof 2005), and "United Breaks Guitars" (Deighton and Kornfeld 2010). Indeed, researchers have found that bad news travels fast in social media and that negative chatter is more informative about firm performance than positive chatter (Chevalier and Mayzlin 2006; Kwak et al. 2010; Tirunillai and Tellis 2012) Collaboration and community are important characteristics of Web 2.0 development and are key features of social communication services like social network (e.g., MySpace, Facebook, and LinkedIn), virtual reality (e.g., Second Life), and online community (e.g., Wikipedia, YouTube, and Flickr) sites. Combined with the ubiquitous online access, these services provide constant connectivity among people that is previously unparalleled. There are numerous open questions concerning the overall impact of these social communication platforms. In this study we investigate the effects of services in the commercial sector, namely, the impact on the relationship between company and customer. Given their distinct characteristics, these social communication services, we believe, have the potential to substantially impact word-of-mouth branding, which can impact key elements of the company-customer relationship including brand image and brand awareness. (Chowdury Zhang, Sobel, 2009) eWOM is a form of this communication, defined as a: "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" (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004) Advances in Electronic communication technology have polarized the use of new media (an opposed to media advertising) including official and unofficial websites, viral marketing, electronic news games and blogs that offer consumers instantaneous inter activities with advertisements, fellow consumers and other market players. Among the new media, virtual communications especially have become a social phenomenon and changes the way people communicated and relate to one another (Hung, Yiyuan, 2007) Social chatter is a highly credible form of marketing information. Advertising professional have long known the important role of opinion spreaders whose post purchase online chatter a strong influence on information dissemination (Hung, Yiyuan, 2007) Consumer satisfaction, purchase intentions and customs lifetime value find that ewom is the most important source of influence in the purchase of household goods.

2.4. The Conceptual Frame Work

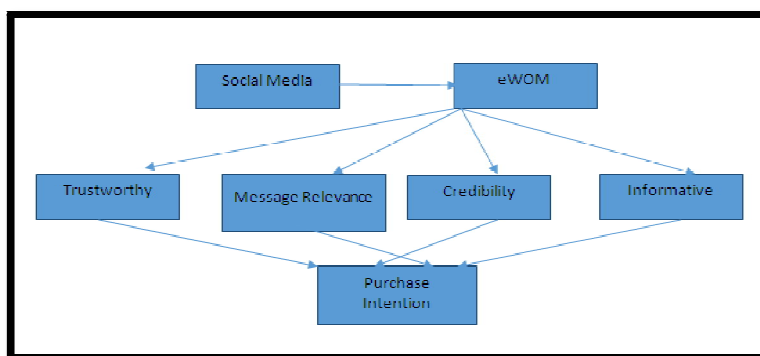


Figure 1: The Proposing Conceptual Frame Work

3. The Methodology

This is quantitative research and the data was collected with a questionnaire. The questionnaire was given to 250 respondents in Sri Lanka from western and the southern provinces. This research is doing several analysis such as descriptive, factor and regression analysis.

Model	Sum of Squares	df	Mean Square	F	Sig
Regression	103.331	4	26.588	62.589	.000
Residual	132.397	285	.325		
Total	235.628	289			

Table 1: ANOVA Regression Analysis

Predictors: (Constant), T_avg, C_avg, M_avg, I_avg

b. Dependent Variable: PI

This describes the ANOVA test results. It produced the P value denoted by "sig" is .000. This obviously indicates the significant value denoted as alpha value below 0.05. It explains that all the four factors used in the research statistically significant to improve and predict the outcome of dependent variable.

	Coefficients B	t	Sig	VIF
(Constant)	.541	2.612	.009	
T_avg	.1843.891	.000	1.372	
C_avg	.276	5.548	.000	
M_avg	.186	3.656	.000	1.282
I_avg	.2184.160	.000	1.608	1.600

*Table 2: The Regression Analysis
PI: Dependent Variable*

This result explains that T Avg: trustworthy has a positive impact towards the purchase Intention as the P value is less than 0.05 because it mentioned as 0.000. Then the Credibility has a positive impact towards the purchase intention as the "Sig" is less than 0.05 as it mentioned as 0.000 then the message relevance has the positive and significant influence as the "sig" p value is less than 0.000 and then the Informative factor is positive and significant towards the purchase intention as the impact is less than 0.000. Then it can mention that the credibility has a high impact towards the purchase intention as the coefficient beta is 0.276 and then the Informative is highly impacted towards the purchase intention as the beta value is 0.218. So this research findings indicating that the all four factors have positive impact towards the purchase intention. This can prove the hypothesis in below table

Hypothesis	Results
H1: The Trustworthy has positive and significant influence towards the purchase intention	Supported
H2: The Credibility has positive and significant influence towards the purchase intention	Supported
H3: The Message Relevance has positive and significant influence towards the purchase intention	Supported
H4: The Informative has positive and significant influence towards the purchase intention	Supported
H5: The eWOM has positive and significant influence towards the purchase intention	Supported

Table 3: The Major Findings

4. Conclusion

This research indicates that the eWOM has a very significant impact towards the purchase intention of the consumers in Sri Lanka in the retail industry; In this case the marketers should pay their attention towards this as the social media feedback is extremely impactful towards the consumers for their purchasing. There are several research limitations in this research. This research was only conducted in the area of retail and the future researches can be done in the different industries. The sample size was only 250 respondents and in future this can be enlarged. The data were collected only through the questionnaire and from the two different provinces in Sri Lanka. This can be extended to whole Sri Lanka in future researches.

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