

# Electronic Word-of-Mouth Information Adoption by Online Consumers

Vijayesvaran Arumugam<sup>1</sup>, Azizah Omar<sup>2</sup>

<sup>1</sup>International University of Malaya-Wales, Faculty of Business and Law

<sup>2</sup>University Sains Malaysia, School of Management

**Abstract:** *The aim of present study is to provide an understanding on the importance of eWoM and the information adoption by online consumers via eWoM. This study signifies the importance of eWoM and its relation towards information adoption by online consumers. Information Adoption Model by Sussman and Siegal (2003) is used to develop the conceptual framework in understanding information adoption by online consumers via eWoM. Working adults with online purchase experience are selected as sample for this study. On a sample size of 50 Malaysian e-shoppers from Kuala Lumpur, an open ended questionnaire was used as a primary data collection method. The uniqueness of this paper is the emphasis on eWoM and information adoption process which is important for online consumers to progress to the next stage. Finally, this article maps out how future research can be more sensitive to how eWoM actually involved in the purchasing decision by online consumers.*

**Keywords:** Electronic Word-Of Mouth, Information Adoption Process, Online Consumers

## 1. Introduction

The advent of information and communications technology has changed the way people and organizations function, communicate, transact, recruit, and conduct business. To keep pace with the ever-changing business and marketing trends, business organizations have integrated information and communications technology and internet technology into their business and communication processes as well as production and marketing strategies [32]. The advent of internet and now Web 2.0 innovation and development has influenced individuals to discover effective and sustainable ways to communicate with their peers' base.

The advent of the Internet and Web 2.0 interactive capabilities has 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, computer-mediated conversations [3,20]. According to Kaptein [24] defined eWoM is a tactic that leverages the considerable power of individuals to influence other in their online social network using computer aided communication medium. According to Hennig-Thurau [18] eWoM is defined as any positive or negative 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. Goldsmith [16] defined eWoM as all informal communications directed at consumers through Internet-based technology related to the usage or characteristics of particular goods and services, or their sellers. All the three eWoM definition above highlighted that, eWoM is an informal communication between consumers-to-consumer in online environment. 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 [8].

Based on this revealed issue, the broad objective of this study is to identify and measure the factors that affect electronic word-of-mouth information adoption by online consumers.

## 2. Literature Review

### 2.1 Electronic Word-of-Mouth

The Internet has transformed the way online consumers search for information, how online consumers interact with each other and, more importantly how online consumers adopt information from electronic word-of-mouth (eWoM). Previously, when consumers needed information, they turned to marketer-generated sources, looked at third-party certifications, or sought advice from friends or relatives in face to face conversations. eWoM has since subsumed these methods and become more common—in some instances, it has become the preferred method of communication. Thus, eWoM allows online consumers to socially interact with one another, exchange product or service-related information, adopt the information and make informed purchase decisions via computer-mediated conversations [3,20].

The power of eWoM clearly shows the dynamic and unique character of eWoM. Kozinets [26], identifies six major characteristics that define the unique nature of eWoM. The first character identified by Kozinets [26] is, enhanced volume of information disseminated by eWoM. According to Liu [28], the greater the volume of eWoM, the more likely a consumer will be able to aware about a product or service. Consequently, greater awareness tends to generate greater sales. Hence, eWoM conversations are asynchronous and are able to reach a vast number of people in a short period of time. Consequently, both communicators and consumers have considerably more options available for spreading and consuming opinions to greater awareness [32]. The second character discussed by Kozinets [26] is platform dispersion. Godes and Mayzlin [15] define platform dispersion as the

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extent to which product-related conversations are taking place across a broad range of communities. The Internet and WEB 2.0 has created a strong dispersion platform such as online discussion forums, electronic bulletin board systems, newsgroups, blogs, review sites, and social networking sites [16] for eWoM. Dispersion has two specific implications: first – the nature of the platforms could have a significant impact on the incidence and evolution of eWoM (for instance, which products are discussed and how often); and second – from a measurement perspective, it is difficult to narrow down which platforms to target and measure. As a result, online user has vast amount of platform to acquire relevant information.

The third unique character of eWoM addressed by Kozinets [26] is eWoM persistence. Persistence mean that existing eWoM significantly influences future eWoM [11]. Electronic WoM is persistent and remains in public repositories [11]. This information is available 'on-demand' to other consumers who are seeking opinions about products and services [19]. Thus, eWoM is endogenous [15]. It not only influences consumer purchase behaviour, but is also the outcome of consumer purchases [13]. The fourth unique eWoM character is anonymity and deception. Online consumers are exposed to information from anonymous resource, which can be accurate or misleading information. This includes information between producers and consumers as well as those between consumers themselves. The fifth eWoM unique character is eWoM valence and salience. Valence refers to the positive or negative rating assigned by consumers (typically on 1–5 or 1–7 Likert scales) when they review products, with an assigned numerical rating, there is less issue with interpreting the valence of a sender's opinion in eWoM [7]. According to Li [27], find a positive relationship between valence and product sales and the external influence propensity of online reviews. Chevalier and Mayzlin [7] find evidence of confirmatory bias that drives consumers to look for affirmative evidence supporting an already-made product choice. As result of valence rating, eWoM information becomes more salient for online users.

The final unique character addressed by Kozinets [26] is the community engagement in the eWoM environment. Consumer engagement is the key to sustainable competitive advantage, profitability, and gaining consumer loyalty [3]. Electronic WoM platforms support collections of people in forming specialized, non-geographically bound consumer communities [26]. These platforms provide forums for consumers to discuss products or services and vent their frustrations but more importantly, to learn from other customers how to better use products or services. Considerable research has examined how these communities play an important role in mediating firm–customer relationships in the modern era [30].

Based on the above arguments, it is clear that online consumers are using eWoM as platform to search for information, and adopt the information prior to decision making. Hence this study will focus on the information adoption process via eWoM by online consumers.

## 2.2 Information Adoption Process

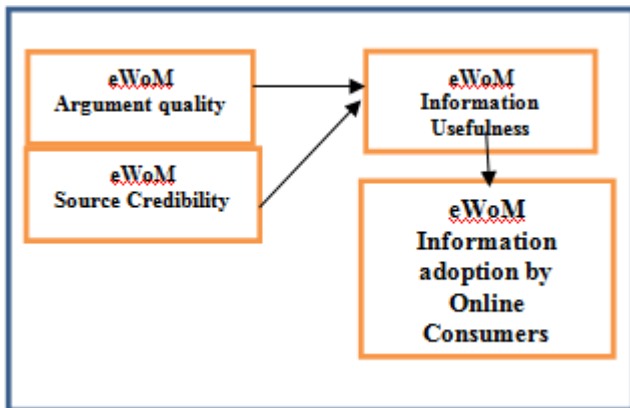
The information adoption process is the internalization phase of knowledge transfer, in which explicit information is transformed into internalized knowledge and meaning [27]. In the existing information systems literature, dual process theories are used to explain how people are influenced in adopting ideas, knowledge or information [35,2]. Sussman and Siegal [35] adopted the elaboration likelihood model (ELM) and proposed a theoretical model of information adoption to explain how people are influenced to adopt information posted in computer-mediated communication contexts. The information adoption model considers argument quality (information quality) as the central influence and source credibility as the peripheral influence [35].

The importance of information quality and source credibility has also been highlighted and strongly validated in prior research on information seeking [34,36,9,6]. Information quality has long been discussed in the context of information systems. With the ability to publish, information now is in the hands of almost anyone and the quality of some online information will inevitably be diminished. Information quality refers to the persuasive strength of information embedded in information [1]. This is the value of the output produced by a system as perceived by the user [31]. Within the end-user computing context, the quality of information is basically evaluated in terms of the information content, accuracy, format, and timeliness [12].

In line with the advent and proliferation of Internet shopping, researchers began to extend existing information quality dimensions. Zhang [36] pointed out that accuracy, relevance, understandability, completeness, currency, dynamism, personalization, and variety are the information quality measures used in recent e-commerce studies. In McKinney [29] web satisfaction model, understandability, reliability, and usefulness of information are the three key dimensions related to information quality.

Source credibility refers to a message recipient's perception of the credibility of information source, reflecting nothing about the information itself [4]. It is defined as the extent to which an information source is perceived to be believable, competent, and trustworthy by information recipients [33]. The role of source credibility in disseminating information is vital in eWoM environment. Online consumer perceived to accept information from high credibility source compared to a low credible source [22,23]. In addition, Eagle and Chaiken [14] found that the persuasiveness of a message depends on the number of positive attributes the communicators possess. Information provided by highly credible sources is perceived to be useful and reliable, and thereby facilitates knowledge transfer [25].

Based on the arguments above IAM is used as a platform in developing the conceptual framework for this study (see figure 1).



**Figure 1:** Conceptual Framework – Adopted and Adpated from Information Adoption Model (Sussman & Siegal 2003)

### 3. Research Methodology

To measure comprehensible study outcomes, a qualitative study is conducted. Although, to gather with such investigation, various primary approaches can generally be used (e.g. intensive interviews, group discussions and questionnaire examination), the present study focuses on data gathering through open-ended questionnaire. Sussman and Siegal [35] suggested that through utilization of such approach, more accurate and reliable information can be obtained. As the present study explores the information adoption by online consumers; therefore, the sampling frame is obvious to be consisting of online consumers/internet shoppers. The sampling frame further focused to online consumers/internet shoppers who are working adults and from Kuala Lumpur, Malaysia. An assumed working sample was of 50 target participants who were reached through online portals of various Malaysian e-business websites. The ultimate information was analysed in best possible efforts to be correct and viable. In the context of revealed variables in the past literature, the subsequent section presents the analysed information.

### 4. Findings and Discussion of the Study

A vast amount of research demonstrates that eWoM has a considerable impact on online consumers' purchase decisions, for example Chatterjee [5] constructed an imaginary internet shopping mall, and using an imaginary consumer survey, investigated the effects of eWoM. The results show that a negative consumer review has a critical influence on the consumer's trust and purchase intention at the internet shopping mall. Moreover, in the case of bargain shopper who prefers to purchase at a lower cost, the negative word-of-mouth impact is even greater. It appears that online shoppers are much more sensitive to negative eWoM and this is particularly true of low-priced products. As this finding is more prominent in the case of small online shopping malls, Chatterjee [5] pointed out that the management of negative eWoM is crucial for those companies solely dependent on their cost advantage when they do not have brand power. Chatterjee [5] study indicates the information is disseminated in eWoM can be negative or positive impact on companies based on the capacity of online companies. Chatterjee [5] fail to highlight what motivates the online user to read these

positive and negative information disseminated by eWoM. Hennig-Thurau [19] highlighted the motives for online user to read these positive and negative information.

Hennig-Thurau [18] study found that the most important motivations for reading reviews were: lessening of risk, lowering of search time, understanding the various methods for howto consume a product, reduction or curtailment of purchase regret, compensation from an imaginary community, searching for new products, and increasing social status. Reduction of decision making time and better purchase decision making motivation were shown to be the most significant factors motivating the customer to read eWoM. Hennig-Thurau [18] study clearly indicates the motive of online user to use eWoM for better purchase decision, but failed to identify why online user exchange information and adopting eWoM information. Gruen [17]; Bickart and Shindler [2]; and Chevalier and Mayzlin [7] in their studies highlighted why online user exchange information and adopting eWoM information.

Gruen [17] viewed eWoM as a kind of know-how exchange among the customers, and that the development of the know-how or eWoM was preceded by opportunity, motivation and ability. Furthermore, when eWoM is well managed, it was shown that it has positive effects on the customer evaluation of the company and on intentions to repurchase. Bickart and Shindler [2] allowed customers to gather information on 5 product categories for a period of 12 weeks. The results show that customers actually pay more attention to the information provided by other customers rather than those of the salesperson or marketers because they have used the product. In short, the information they provide is more appealing and meaningful to the potential customers. Chevalier and Mayzlin [7] also studied the effects of eWoM on actual sales by examining online book reviews posted on Amazon and Barnes and Noble. The results illustrate that more positive eWoM is posted on online book stores than offline, with Amazon having far more positive eWoM in both quantity and quality than Barnes and Noble. Overall, this study demonstrated that high levels of eWoM increases book sales. All the three studies indicate that, online user exchange and adopt information in eWoM because online customers actually pay more attention to the information provided by other online customers. Electronic word of mouth turns out to be an important platform for online user to gather information prior to purchase.

This study found that, argument quality and source credibility directly influence the adoption of information by online consumers via eWoM. This is found contextually similar to study of Cheung [6] in which conducts of both argument quality and source credibility were examined, and shows the positive relation towards information adoption by online consumers. The more quality information received by online consumers the more useful the information will be for the online consumers to adopt. Similarly the source credibility will also play an important role in information adoption by online consumers. According to Sussman and Siegal [35] information usefulness mediate the relationship between argument quality, source credibility and information adoption. This research also demonstrated that if online

consumers receive useful information related to their search, they would adopt the information and prefer to buy the product or service, especially when it comes to do a transactional comparison with less promoted website. This is supported by previous study from Chatterjee [5]. Chatterjee [5] explained that information usefulness is more important for product or services with less branded or less well known among online consumers. In contrast Cheung [6], discussed the importance of eWoM among branded or well known product or services.

Hence eWoM is seen as an important platform for online consumers to search and adopt information about branded or less branded product or service via eWoM prior to their purchasing decision.

## 5. Conclusion

This article has set a context and rationale for research into information adoption by online consumers within eWoM platforms. Our discussion focused on the background of eWoM and the importance of information adoption by online consumers via eWoM.

In conclusion, the information adoption via eWoM is essential for online consumers for decision making process. Information factors from eWoM such as argument quality and source credibility have enriched the usefulness of information and led towards information adoption by online consumers. It is believed that eWoM provide online consumers with useful information prior to their purchasing decision.

This study also provides insights into definition, background and roles of eWoM and the view from the online user's perspective. In today's online environment, online consumers have begun to consider eWoM as a component towards adopting information in online platform. eWoM will allow online consumers to gain a competitive advantage and this will lead to better decision making.

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## Author Profile

**Vijayesvaran Arumugam** obtained his MIT from University Malaya and currently is the Head of Coloration at Faculty of Business and Law, International University of Malaya-Wales.

**Azizah Omar** completed her PhD at University of Monash (Australia) and currently is an Associate Professor and