Study of Impact or Word of Mouth & Internet on Direct Selling

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Abstract: Direct selling has existed in the markets for centuries. It’s a type of sale that implies direct contact with a buyer without any third parties. This is an effective way to increase revenue. The main feature created in the 21st century is to maintain a healthy competition and to construct a strong persuasive word-of-mouth. The following research focuses on three factors that count for the effectiveness of word-of-mouth. The use of Internet enables everyone to access and exchange information between two or more parties overcoming many challenges. The main source of acquiring information is through the use of search engines and user reviews. Consumers pass through the decision-making model before they make purchases from direct selling. In this study, multiple factors are employed to analyse and measure the relationship between independent variables of direct selling. Factors that have an influence on direct selling are arranged from high to low, which are based upon credibility, trust, personal reference, searchengines, internet blogs, brand, security and refund policy. Along with these factors, the research tries to recommend the marketer to redo their basic strategies and create an effective one.

Keywords: direct selling, word of mouth, consumer decision-making, regression, Dependent and Independent factor

1. Introduction

Direct selling is a market strategy defined as the process of selling products or services directly to consumers without any fixed location (Robert & Thomas, 1996). The direct selling process has existed in the market for centuries, such as peddlers; an oldest form of direct selling (Dolan, J.R 1964). This paper studies the consumers of the direct selling firm Q-Net, which have taken the direct selling process to a different level by introducing a commission plan to the consumer markets which is based on face-to-face selling, and communication, intended to happen in real time. The effectiveness of communication depends on credibility, trust, and personal relevance. The information obtained by consumers in face-to-face communication is further searched on the internet to add to; the search engine is significant to verify all their information. Also, reviews online can be critical as well. The “consumer’s decision-making process can be considered as a model that represents a road map of their minds” (Blackwell, Minaar and Engel, 2001). This process begins with the realization of the need to satisfy, followed by four core stages; “incorporate search, evaluation and alternatives, the actual purchase and post-purchase (Kotler & Keller, 2009).

2. Literature Review

The direct selling model of commission distribution is based on methods like single-level-marketing and multi-level-marketing. Single-level-marketing is the method where the sales representative works on a compensation plan in which the sales representative gets commission for their sales (Abrams and Rhonda, 2002). Multi-level-Marketing is the method, in which the sales representative gets the commission for other sales representatives whom they have recruited in theirs sales force. The term “downlines” best explain the recruitment of the sales representatives into individual sales forces (Abrams and Rhonda, 2002). The effectiveness of the direct selling process depends on the sales representative’s capability to demonstrate the product and its main features. The complete process of purchase passes through three stages. The first stage is the process of “word of mouth”, which starts with communication between two parties. The consumer then proceeds to the second stage, which is using the internet. In the second stage, the consumer collects all the information about the product before moving on to the decision-making, which is the third stage in this process. The next part of this paper will look at these 3 stages in more detail.

2.1 Word-of-Mouth Stage

Word of mouth is “a form of interpersonal communication among consumers which in turn acts as the powerful source of human motivation” (Westbrook, 1987). This communication could be either causal or product related. The product related communication is positively or negatively conclusive. If the consumer is happy, well satisfied and has positive experiences, the message is likely to be a positive word-of-mouth (Anderson, 1998). On the other hand, if the consumer is unhappy, had negative experiences and remains unsatisfied, the message is likely to pass on a negative word-of-mouth (Marcha, 1983). The effectiveness of the word-of-mouth depends on the ability of the sender to share information comprehensively, creditably, trustworthy with personal relevance.(Schindler and Bickart, 2005).

2.1.1 Factors that contribute to the word-of-mouth Credibility

The perception of credibility is another element dictating the power of word of mouth (Hung, 2007 &Christina, 2010). Credibility occurs when the recipient at the source (sales person) is assured that the source possesses relevant knowledge, skill and experience. The recipient is confident that the source provides objective and unbiased information (Belch & Belch, 2007 & Christina, 2010).

Trust

Trust has been widely recognized as a key mediator in successful relationships with customers (Schurr, Oh, 1987; Doney, Cannon, 1997; Dwyer). The customer’s trust in the salesperson has two components; effect and cognition. Effect is feeling secure or insecure about relying on the
salesperson. Cognition is the belief that the salesperson has both the necessary competence and motivation to be relied upon. A customer is a person who has, has or can have some interaction with the salesperson. The “customer” can include final consumers (John, Michael, and Lynne, 1999).

Personal Relevancy
The personal relevance of a word of mouth message is another reason why word of mouth is a powerful medium, and is highest when a message succeeds in appealing to a person’s values (Allsop et al., 2007). Word of mouth messages are normally made with the intention of making a genuine recommendation to fellow consumers, and because of this personal relevance, they are more likely to be heard and acted on (Allsop et al., 2007)

2.2 Internet Stage
Online word-of-mouth originates from traditional word-of-mouth and shares many of traditional word-of-mouth characteristics (Faramarz, 2007). Online word-of-mouth is referred as the “Internet Word” (Helrn, 2000; Goldenbery et al., 2001). Spesling (1997) states “the Internet is a collection of interconnected webpages” and “the World Wide Web (www) is interconnected to the search engine”. Online user review comments are a useful source of information to consumers. The internet is significant to direct selling as the information is quickly obtained or exchanged, so factors like search engines and the online user reviews are significant.

2.2.1 Factors that affect the internet stage are as below
Search engine
Consumers use search engines to find out needed information (Haig, 2001). The search for information are product related and the ranked position in a search engine is essential, as the more a product is searched for, the higher its ranking, which can be interpreted as the product being in high demand or higher ranking (Haig, 2001).

Online User Reviews
Online user reviews have become an important source of information for consumers (Judith and Dina, 2003). Online user reviews are one of the useful sources of information for individual decision-making. Therefore positive reviews on the web can influence the consumer’s decision-making (Anderson, 2013).

2.3 Consumer’s Decision Making
Black Well, Miniard and Engle (2005) defined the consumer’s decision as a “process that represents a road map to the consumer’s decision-making”. The decision-making begins when the individual realizes the need for a product or service. Kotler and Keller (2009) states that the consumer’s decision structures are based on four major steps, beginning with the need for the problem recognition and ending at the decision-making stage. The consumers in all forms of purchasing decisions go through the steps.

2.3.1 Factors that affect consumer’s decision making are as below
Price
It is unquestionably one of the most important marketplace cues. The pervasive influence of price is due partly to the fact that the price cue is present in all purchase situations (Donald, Nancy and Richard, 1993).

Brand
A brand does not simply signal a product’s utilitarian attributes; it can also have a particular meaning which makes the product personally meaningful and intrinsically relevant for the consumer (Ligas and Cotte 1999). The brand focuses in how the personality of a brand enables a consumer to express his or her own self (Belk 1988), an ideal self (Malhotra 1988), or specific dimensions of the self (Kleine, Kleine and Kernan 1993) through the brand.

Security issues
Security means that the consumer has confidence that the product is safe and not harmful. This becomes more critical because the consumer does not know the sales person personally and will have to pay in cash or reveal credit details (Lee 2002).

Refund
Refund plays an important role in a consumer’s decision making, as the sales happen directly between the sales person and the consumer without a fixed location. So the direct selling representative should provide unconditional refund policy to their consumers (Lee, 2002). In Conclusion, the literature review of this paper shows and describes the relationship of the 9 factors; credibility, trust, personal relevancy, search engine, online user reviews, price, brand, security issues and refund to direct selling.

3. Research Methodology

3.1 Selection of Research Approach
The choice of a research approach depends on the nature of the research study. Basically, all research approaches can be classified into three categories: exploratory, causal, and descriptive (Aaker et al, 1999).

This study is aimed to describe how customers behavior is influenced by various factors at 3 different stages. Therefore, the descriptive approach is chosen as the research approach during the research process. Under the descriptive approach, there are four famous methods to collect data: secondary data, surveys, panels, observational or other data (Malhotra, 2004). The Data was mainly collected by residents of Distt Kullu via sending out Google forms. In addition, Secondary data was also collected from various sources.

3.2 Coding Structure
Coding structure is employed for this research and the design is based on the Likert scale. The participants are asked to answer questionnaires based on the research question. These questions are designed to capture consumer’s attitude towards direct selling and the levels of attitude are
based on 5 points of scales as strongly agree, agree, neutral, disagree and strongly disagree.

3.3 Data Collection

In this study, data was collected based on Figure 1 (Appendix). The surveys were randomly distributed to the residents of Kullu, a total 120 respondent’s data were collected with 95% response rate.

4. Finding and Discussion

In this study, each respondent answered 16 questions on a survey and the data was obtained from a total of 120 surveys. Table 5.1 Distributions of demographic characteristics

| Table 1 |
|-----------------|-----------------|
| Demographic Characteristics | Frequency |
| Gender | |
| Male | 75 |
| Female | 45 |
| Age | |
| Less Than 20 | 80 |
| 20-25 | 26 |
| 25-30 | 10 |
| Above 30 | 4 |
| Educational Level | |
| Upto 12th | 0 |
| Under Graduate | 80 |
| Graduate | 40 |
| Doctorate | 0 |
| Family Income | |
| Upto 2 lakhs | 45 |
| 2.1 lakhs to 3 lakhs | 38 |
| 3.1 Lakhs to 5 lakhs | 21 |
| 5.1 lakhs and above | 16 |

4.1 Reliability Coefficient

Coakes and Steel (2007) state measurement scales as being the core instrument for a reliability analysis. Reliability analysis is the process to calculate all the possible measurement scales used in a research study and employ those scales to find the relationship between individual items. Reliability measurement scales are critical to the value of research; the analysis of the internet consistency is significant to reliability. Internet consistency is a scale of measurement, based alone on Cronbach’s alpha as it determines different items for a given research on the same scale used. Cronbach’s alpha scale is arranged from 0.9 to 0.5, an average and acceptable score on an alpha scale has to be 0.7 or greater. The Cronbach’s alpha score for this study is 0.761. Therefore the research is considered acceptable and reliable.

4.2 Correlation

4.2.1 Factors at Word-of-Mouth Stage

Table 1: All the three independent variables had statistical correlation with direct selling

<table>
<thead>
<tr>
<th>Factor</th>
<th>Relationship</th>
<th>Correlation Score</th>
<th>Statistically significant rate</th>
<th>Cronbach’s Creditability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditability</td>
<td>Strong</td>
<td>.544</td>
<td>P = 0.000</td>
<td>.721</td>
</tr>
<tr>
<td>Trust</td>
<td>Strong</td>
<td>.413</td>
<td>P = 0.000</td>
<td>.721</td>
</tr>
<tr>
<td>Personal Relevancy</td>
<td>Strong</td>
<td>.454</td>
<td>P = 0.000</td>
<td>.721</td>
</tr>
</tbody>
</table>

Source: Researcher (Field data)

Results found in the table suggest that, creditability had a strong relationship with direct selling as the correlation score is 0.544 and the statistically significant rate is 0.000.

Results found in the table suggest that, brand had a strong relationship with direct selling as the correlationscore is 0.413 and the statistically significant rate is 0.000.

Results found in the table also suggest that, personal relevancy had a strong relationship with direct selling as the correlation score is 0.454 and the statistically significant rate is 0.000.

4.2.2 Factors at Internet Using Stage

Table 2: The two independent variables had statistical correlation with direct selling

<table>
<thead>
<tr>
<th>Factor</th>
<th>Relationship</th>
<th>Correlation Score</th>
<th>Statistically significant rate</th>
<th>Cronbach’s Creditability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search Engine</td>
<td>Moderate</td>
<td>0.308</td>
<td>P = 0.000</td>
<td>.761</td>
</tr>
<tr>
<td>Online User Review</td>
<td>Moderate</td>
<td>0.364</td>
<td>P = 0.000</td>
<td>.761</td>
</tr>
</tbody>
</table>

Source: Researcher (Field data)

The result found in the table suggests that, a search engine had a moderate relationship with direct selling as the correlation score is 0.308 and the statistically significant rate is 0.000.

The result found in the table suggests that, online user reviews had a moderate relationship with direct selling as the correlation score is 0.364 and the statistically significant rate is 0.000.

4.2.3 Factors for Consumer Purchasing Decision Stage

Table 3: All the four independent variables had statistical correlation with direct selling

<table>
<thead>
<tr>
<th>Factor</th>
<th>Relationship</th>
<th>Correlation Score</th>
<th>Statistically significant rate</th>
<th>Cronbach’s Creditability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Strong</td>
<td>0.454</td>
<td>P = 0.000</td>
<td>.727</td>
</tr>
<tr>
<td>Brand</td>
<td>Strong</td>
<td>0.419</td>
<td>P = 0.000</td>
<td>.727</td>
</tr>
<tr>
<td>Security Issue</td>
<td>Strong</td>
<td>0.554</td>
<td>P = 0.000</td>
<td>.727</td>
</tr>
<tr>
<td>Refund policy</td>
<td>Weak</td>
<td>0.140</td>
<td>P=0.012</td>
<td>.727</td>
</tr>
</tbody>
</table>

Results found in the table suggest that price had a strong relationship with direct selling as the correlation score is 0.454 and the statistically significant rate = 0.000.

Results found in the table suggest that brand had a moderate relationship with direct selling as the correlation score is 0.419 and the statistically significant rate = 0.000.

Results found in the table suggest that security issues had moderate relationship with direct selling as the correlation score is 0.554 and the statistically significant rate = 0.000.
Results found in the table suggest that refund policy had moderate relationship with direct selling as the correlation score is 0.012 and the statistically significant rate = 0.140.

5. Conclusion

Due to the limitation of time and cost, this research focuses only on the district of Kullu. The consumers purchasing decision were analyzed based on three stages. The word-of-mouth as the first stage with 3 factors in this stage such as creditability, trust, and personal relevancy. The second stage, the Internet, highlighting the effectiveness of this stage depends on the search engine and online user reviews. The last stage, consumer’s decision-making discussing the 4 factors; price, brand, security issues and refund policy. All the 9 factors in this study had a Cronbach’s alpha greater than 0.7, it indicates that the 9 factors in this study are acceptable and reliable. As a final point, the researcher expects that the result found in this study will be useful to direct selling process and benefit other researchers in a useful way.

References


