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 challenge 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 enableseveryone 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 directselling are arranged from high to low, which are based upon creditability, trust, personal reference, searchengines, internet blogs, brand, security and refund policy. Along with these factors, the research tries torecommend 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 forcenturies, such as peddlers; an oldest form of direct selling (Dolan, J.R 1964). This paper studies theconsumers of the direct selling firm Q-Net, which have taken the direct selling process to a different level byintroducing a commission plan to the consumer markets which is based on face-to-face selling andcommunication, intended to happen in real time. The effectiveness of communication depends on creditability, trust, and personal relevance. The information obtained by consumers in face-to-facecommunication is further searched on the internet to add to; the search engine is significant to verify all theinformation. Also, reviews online can be critical as well. The "consumer's decision-making process can beconsidered as a model that represents a road map of their minds" (Blackwell, Miniard and Engel, 2001). Thisprocess 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 acompensation 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 therecruitment 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 demonstratethe product and its main features. The complete process of purchase passes through three stages. The firststage 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 ishappy, 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 ofthe word-of-mouth depends on the ability of the sender to share information comprehensively, creditably, trustworthily 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). Creditability occurs when the recipient at the source (sales person) is assured that the sourcepossesses relevant knowledge, skill and experience. The recipient is confident that the source providesobjective 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 had, 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 tofellow 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" (Helm,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 reviewcomments 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 duepart 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 revealcredit 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 provideunconditional 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 andrefund 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 captureconsumer's attitude towards direct selling and the levels of attitude are

based on 5 points of scales as stronglyagree, 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 arecritical 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 andacceptable 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

Factor	Relationship	Correlation Score	Statistically Significant rate	Cronbach's Creditability
Creditability	Strong	.544	P = 0.000	.721
Trust	Strong	.413	P = 0.000	.721
Personal Relevancy	Strong	.454	P = 0.000	.721

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, trust 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

Factor	Relationship	Correlation Score	Statistically significant rate	Cronbach's Creditability
Search Engine	Moderate	0.308	P = 0.000	.761
Online User Review	Moderate	0.364	P = 0.000	.761

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

Factor	Relationship	Correlation Score	Statistically significant rate	Cronbach's Creditability
Price	Strong	0.454	P = 0.000	.727
Brand	Strong	0.419	P = 0.000	.727
Security Issue	Strong	0.554	P = 0.000	.727
Refund policy	Weak	0.140	P=0.012	.727

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 personalrelevancy. The second stage, the Internet, highlighting the effectiveness of this stage depends on the searchengine 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 than0.7, it indicates that the 9 factors in this study are acceptable and reliable. As a final point, the researcherexpects that the result found in this study will be useful to direct selling process and benefit other researchersin a useful way.

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