

ELECTRONIC WORD OF MOUTH: HOW MUCH DO WE KNOW?

Literature
review

Keywords

Electronic word of mouth (e-WOM, eWOM)
Traditional word of mouth (WOM)
Social media
Buying decision making
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Abstract

Since the development of Web 2.0 (or social media) sites such as Facebook, Twitter, Blogger, and various forums and communities, online users from all over the world have been exposed to a completely new means of information sharing: electronic word of mouth (e-WOM). Due to the fact that it is a recent research phenomenon, its definition is difficult to be phrased and similar to traditional word-of-mouth, the theoretical framework of e-WOM is not very clear. This complex concept is linked to viral marketing, user generated content, stealth marketing, opinion sharing, decision making and other aspects. Considering the multiple areas that e-WOM has an influence on, this article presents an overview of what has been researched with respect to this subject. Using the findings of this paper, it may be possible to set up the base of a conceptual model to measure electronic word of mouth.

INTRODUCTION

Due to the recent advancements in the technology field, internet has changed considerably; new possibilities of communications between users, consumers and, most importantly from a marketing point of view, how companies can reach their customers. The main platform on which people can disseminate various topics are web 2.0 sites, especially social media ones leading to the creation of user generated content (UGC). On such websites, product related experiences are shared through this new means of communication: electronic word of mouth (e-WOM). (Mohammad et al, 2011). These sites can be considered hybrid in the sense that they offer both e-WOM and opportunities for retailers to extend their marketing campaigns to a wider range of consumers (Chi, 2011). The change to electronic information channels has also introduced decision makers to a much broader and easy-to-access collection of “friends” that may potentially influence decision making (Tham et al., 2013).

Word of mouth (WOM) or informal communication between peers focuses on product ownership or characteristics of other goods or services, is considered to be a practice that can direct or influence an individual to make a purchase (Goodrich & De Mooij, 2013). Traditional marketing seems to be losing its power, as consumers trust more in word of mouth to make their purchase decisions. Consumers are interested in credible custom-tailored information, which makes WOM a very powerful marketing tool (Kaijasilta, 2013). When it comes to online shopping, it may be safe to assume that e-WOM may have a strong impact on consumer acquisitions and a considerable longer carryover than the traditional approach.

Although social media marketing is a well-researched topic, it has only been studied through experimental and theoretical research; very little is known of how exactly this new form of communication, e-WOM, influences the buying decision of online consumers. Social media is a concept developed within the last decade, thus until now, research in this field largely focused on: (1) definition of the concept that makes up its foundations and (2) exploring the impact that such sites have on online consumer behavior (Paquette, 2013). The rapid growth of social media may be attributed to social interaction. Peer communication resulted in e-WOM marketing, product advocacy for consumer and brand.

The purpose of this article is to clarify which elements conceptualize the phenomenon of electronic word of mouth, e-WOM, in order to measure its impact on user’s buying decision making. This study contributes to the marketing literature by creating a general overview of the current situation and offering possibilities for future

research in creating a scale of relevant items to define electronic word of mouth.

TRADITIONAL WORD OF MOUTH

Word of mouth is described as „*oral, person-to-person communication between receiver and a communicator whom the receiver perceives as non-commercial, regarding a brand, product or service*” (Kaijasilta 2013, p.7). WOM can be considered a marketing force, since a favorable word-of-mouth may increase the probability of a purchase. This concept has been analyzed by academics and practitioners for many years during which time, this phenomenon can be described within the same lines. However, this doesn’t mean that the research in this field has been exhaustive.

WOM occurs when an individual communicates information about an item, service or any other topic. Consumers see this type of interaction as a custom-tailored information source that fits their interests best without any commercial interference that may try to over sell the product. Due to the higher perceived credibility in face to face conversation, often WOM has a strong impact on how people evaluate their purchasing options. The role of marketers is to understand how to influence and manage word of mouth; word of mouth marketing (WOMM) is a great alternative to traditional means of advertizing (Kozinests et al. 2010).

In addition to having an influence on consumer product judgments, a high volume of positive WOM has a great impact on sales; viral and referral marketing campaigns will shift consumers’ attitudes and behaviors towards the brand of a company.

Viral marketing has shown exponential growth potential in the past few years, but there is little known on how this concept really works (Eckler & Bolls 2011). It differs from word of mouth because of the manner of transmission: the “virus” does not relate to the original consumer but to the number of other users that the message attracts. Individuals are seen as vehicles for spreading information (Jose-Cabezudo & Camarero-Izquierdo 2012). Viral marketing can also be seen as part of word of mouth when the opinion leader shares a message with the group. The members will share the information across the network and this action can be classified as a viral activity. (Petrescu & Korganokar 2011).

Word of mouth has been associated with referral marketing: a marketing technique of companies to encourage customers to refer their products to friends and family. Kumar et al. (2010) define referral as the process of how a firm can obtain a new consumer due to the motivation for the transaction from a current consumer. However, in referral marketing campaigns, the occurrence of WOM is no longer natural, since the current

consumer has a financial interest: the commission earned for bringing a new customer. Word of mouth does not equal viral and referral marketing, but it's seen as a means to seed these type of campaigns in marketing messages to consumers.

SOCIAL MEDIA VS. SOCIAL NETWORKING

For a proper definition of social media, first the concept of Web 2.0 must be explained: a term that describes a new approach to using the World Wide Web by offering the possibility to users to continuously alter content in a sharing and collaborative way (Kaplan & Haenlein 2010). Campbell et al. (2011) sees Web 2.0 sites as an evolution from simple information retrieval to interactivity, inter-operability and collaboration among peers. People are influencing the technology themselves; users are the creators and the consumers by adding content to websites. Hence, the term of user generated content (UGC).

Social media can be defined as “a *group of Internet based applications that build on the ideological and technological foundations of Web 2.0, and allow the creation and exchange of UGC*” (Kaplan & Haenlein 2010, p.61). Another definition is “a *broad term that describes software tools which help create user generated content that can be shared*” (Sinclair & Vogus 2011, p.294).

A website is considered to be a virtual location where social networking takes place only if it fulfills certain characteristics: it should allow users to create their own profiles, content, get in touch with other online contacts, post comments and other media files and join virtual groups that share common interest (Paquette 2013). Often the term social networking is interchanged with social media. However, social media means something slightly different: it offers the “tools” or “means of communication” that allows users both to create their own profiles and to invite other people to access them (Zeng & Gerritsen 2011).

Thus, social media is the environment where social networking takes place and alters the way users can gather information and make buying decisions through electronic word of mouth (e-WOM). People can have accounts on social media sites, but that doesn't necessarily mean they are involved in social networking activities. Social media includes sites that are associated with social networking, consumer reviews, content communities, forums and wikis.

Through socialization, consumers gain knowledge, skills and attitudes related to consumption behavior in the marketplace. This type of interaction delineates the consumer learning process and can help for understanding how information is transmitted from one person to another (Wang et al. 2012). Online social media sites (Facebook, Twitter, Youtube, Instagram and so on) allow users

to exchange all sorts of data through posting, profile creation, commenting and joining groups with the same interest. In the end, these activities change the relationship between consumers and companies; nowadays the client is in the center of attention (Solomon et al., 2010).

Social media sites have become more reliable and relevant sources of information than the advertising messages delivered by companies. This means that online consumers will look for products and their manufacturers through social networking. Most users value interacting and communicating with others, which means they will also value advice (negative or positive) on certain goods and services. Therefore, it is safe to assume that virtual communities will have an impact on the decision making process of online consumers (Evans et al. 2009).

Previous studies have shown that virtual communities benefit from social networking in many ways, such as increasing users' interest in certain content, benefitting the whole community financially and improving the recommendation system (Zhang et al., 2013). Companies have started to take advantage of the opportunities offered by social media sites. According to Burson-Marsteller, 87% of these firms are using at least one social media platform which represents a 10% increase from last year. Social media marketing has become quite popular among network marketers that try to promote their business online by attracting customers' attention and getting them to read more about their products with the end goal of a purchase (Low, 2012).

CONCEPTUALIZATION OF e-WOM

Electronic word of mouth is basically the extension of word of mouth on the Internet. WOM is defined as an oral person to person communication between a receiver that is considered non-commercial by the communicator, about a specific product, service or brand. But, e-WOM activities differ from those in the real world, since the communication takes place on an online platform (Park et al. 2011). Due to the fact that it's a recent phenomenon, the conceptualization of electronic word of mouth is difficult to grasp. In the literature there are several rudimentary definitions, but they don't seem to capture completely the whole area of influence that e-WOM has. Henning-Thurau et al. (2004) see e-WOM “*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 Internet*” (p.39). In recent academic publications, the emphasis goes on consumers' opinion transmitting behavior in addition to opinion giving and searching online (Kaijasilta 2013).

The high level of acceptance by consumers and the wide dissemination of e-WOM suggest that this

phenomenon exerts considerable influence on consumer decision making and communication behavior, and on the success of products sale in the market. A specific form of e-WOM is the exchange of know-how between consumers, which has a direct relationship with brand loyalty and an indirect effect on the firm's services.

Electronic Word-of-Mouth is an easy and cost effective promotional channel that can reach many people in a very short period of time through a simple action such as online opinion posting. Readers are interested in what e-WOM has to offer, because they desire tailor-made information to avoid ambiguity of a purchase, expenses, or any other risk associated with their buying preference (Yolanda et al, 2011). Research has shown that consumer decision process is generally affected by e-WOM which offers an alternative source of information to consumers; hence the effect of tradition marketing used in companies has been minimized. (Mohammad et al, 2011).

In the process of e-WOM communications, consumers are likely to gain a sense of belonging to a group that shares the same beliefs, interests, and thoughts towards certain products or services. This type of online community is possible due to the development of social media sites that increase the social relations between consumers worldwide. There is no need to personally know someone (like in the case of WOM) to have access to his or her opinion, shopping experience, likes and dislikes and so on (Li, 2011).

Previous research on e-WOM

According to some studies, WOM communication affects the decision making process of consumers, their attitudes, beliefs and the pre and post usage of a product (Arnaud & Lilien, 2008). The same behavior can be extended to e-WOM which will affect online consumers. Shu-Chuan (2009) tested five basic relationship variables that are most used on social networking sites: interpersonal influence (1), homophily – similarity between individuals, such as education, social status, beliefs and age (2), tie strength (3), trust (4) and social capital (5) – in the context of opinion giving, seeking and pass-along information. The results showed that interpersonal influence, social capital, homophily and trust was of high importance to users that engaged in e-WOM communications, while tie strength was found with no effect. Social capital has been viewed as an important variable for its ability to pool, construct, and broadcast information. Academic literature shows that sources of social capital encourage an individual to share his/her knowledge and build new intellectual capital that shapes organizational competitive advantages (Khan et al., 2012).

Breazeale (2009) conducted an EBSCO (www.ebsco.com) research which led to identifying nine main elements in defining e-WOM (see Figure

1): opinion sharing about experiences (1), information shared by opinion leaders (2), interaction through different platforms (3), network-based (4), directed to multiple people (5), no time and location constraints (6), it can be anonymous (7), credibility issues (8) and e-WOM influences decision making process (9).

Opinion sharing about experiences gives the possibility to users to engage in electronic word of mouth through offering and gathering unbiased (in theory) information about certain products and/or services. Opinion leadership differs from opinion sharing because the initiator of the message is a person valued by the group. Just like in WOM, there is an online opinion leader which is considered to be “e-fluential” by sharing information to opinion seekers which may alter their buying decision (Chu & Choi, 2011). Electronic word of mouth takes place via several channels since consumers are getting more computer and internet savvy and they improved their search skills. Online it is possible for someone to be in the role of an opinion provider, seeker and transmitter. Just like mass-media, the Internet allows people to reach other individuals in one-to-many, also known as “viral potential” (Petrescu & Korgaonkar, 2011).

Since consumers bring their own expectations and experiences to the online environment, e-WOM is likely to have a strong impact on online shopping decisions than other sources. An empirical research has found that e-WOM plays a very important role in the experience-related consumer decision (Bronner & De Hoog, 2010). Social networking sites can help their social connections with purchase decisions by sharing useful information and their recommendations will be trusted and may have an influence with which product will be preferred.

E-WOM also occurs through blogging, micro-blogging (a hybrid form of social media that also includes social networking sites) and other forums or online communities. These kinds of networks can be divided into more egocentric sites like Facebook or more object centric like YouTube, Pinterest and so on. Another aspect of e-WOM is the possibility of being anonymous when sharing your message. This also brings up the question of credibility. If the sources of information are unverified, thus no responsibility can be pushed towards those individuals, the question “how reliable they are” may rise. However, contradictory beliefs exist, and when anonymity is present in the communication, e-WOM participants can focus more on information usefulness and even be more honest with the reviews.

Goyette et al. (2010) have conducted a study to create a multidimensional measurement scale for WOM in the context of electronic services—the e-WOM Scale. The analysis relied on a paucity of

studies focusing on this set of problems, especially in the domain of e-services. Taking inspiration from the results of a study by Harrison-Walker (2001) and from many others, the nine items of the e-Scale measure four dimensions of word-of-mouth (see Figure 2): (1) intensity (activity); (2) positive valence/praise; (3) negative valence; (4) content. The results showed that all of these items are relevant and statistically significant, which makes this scale of e-WOM acceptable. However, this does not mean it's also complete; another avenue of research can be applied to e-WOM to measure its implications i.e. purchase decisions.

Another study applied on Chinese online consumers (Park et al., 2011) analyzed how reviews as part of e-WOM may influence shopping decision.

There were three factors considered (see Figure 3): experience of e-WOM (1), perceived e-WOM credibility (2) and customer susceptibility to interpersonal influences, CSII (3).

Results show that CSII is the most significant factor. This means that marketers should take into consideration the fact that consumers value interpersonal relations and this may influence their buying decision. Experience of e-WOM is also reflecting on online consumers' behavior: young Chinese customers prefer to believe the words written by others. Perceived e-WOM credibility also influences users: if a source is viewed as reliable, then several purchases will be made based upon that assumption.

DISCUSSIONS AND CONCLUSIONS

This paper contributes to the understanding of several factors that influence electronic word of mouth and provides a possibility to measure these phenomena. The scales exemplified in the previous section have not all been empirically tested, and even if some were, the results can not be generalized for all over the world. The model using the Breazeale collection method (see Figure 1) used 40 articles in its analysis in order to understand the nature of e-WOM. Electronic word of mouth is a relatively new concept with incoherent definitions. E-WOM is closely linked to traditional word of mouth. However, the evolution of Internet and the online communities and information channels have offered distinct characteristics to e-WOM. Between these two concepts there are differences, especially when it comes to anonymity in communication. But, this doesn't mean that e-WOM and WOM could not work in collaboration. This may be the case especially when recruiting opinion leaders.

Also, electronic word of mouth may be prone to changes fast since the online environment is dynamic and constantly evolving. E-WOM is no longer just a computer mediated means of communication, but it offers many more possibilities of user interaction and communication.

The strategic importance of electronic word-of-mouth as a communication medium for an organization that wants to thrive online, no longer has to be proven. Paradoxically, companies have very little, if any control over its reach or content. The message that will be communicated by a company's consumers to others, that might not even have used their products, makes e-WOM an incredibly powerful tool. The virtual environment and its quick evolution only increases the effect of word of mouth and, consequently, the level of dependence of the companies in question. The instant popularity and notoriety of sites such as Facebook, YouTube, eBay, or Wikipedia are undeniable evidence of the ubiquity of e-WOM in the online world. Virtual communities such as DPRewiew owe their existence and their growth only to word-of-mouth. Not to mention that some, like Google, have even become common names especially due to WOM and e-WOM. It is difficult to imagine how much these online companies would have had to invest in conventional communications media to achieve the same result. The possible scales discussed in this article provide a base for a better understanding of the concept of electronic word of mouth and how it can be measured in order for marketers to use this tool to their advantage.

LIMITATIONS AND FUTURE RESEARCH

The newness of e-WOM makes the need for developing a measuring scale more urgent, as this concept should build some methodological grounds. However, the main limitation of this study is its conceptual nature that doesn't use empirical data to support researched facts. More testing of these proposed scales is required, not to mention that other elements can be taken into consideration: for instance the variation of culture. The samples used to investigate the scales were small and consisted mainly of college students, whereas the population that uses social media sites comes from various demographics. Many researchers have associated e-WOM with the intention to make a purchase decision; the future scale of electronic word of mouth should also be useful in predicting the demand for companies that are active online.

Despite the limitations, this article contributes by offering an in-depth understanding of the impact of social relationship factors on e-WOM and provides a strong theoretical perspective for the computer-mediated communication literature by linking social relationships and e-WOM.

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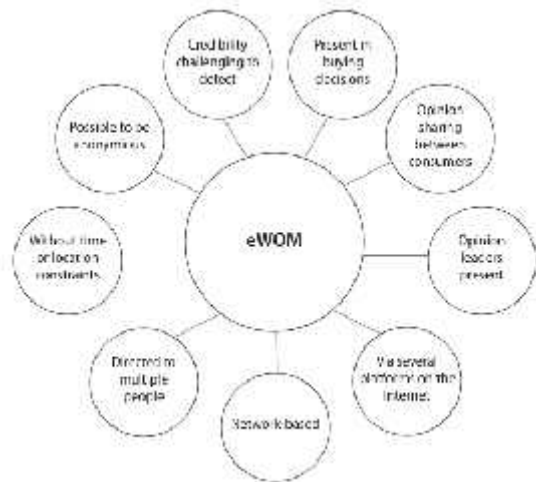


Figure 1: Elements defining electronic word of mouth

Source: Kaijasilta, N. (2013), *The conceptualization of electronic word of mouth (e-WOM) and company practices to monitor, encourage and commit to e-WOM – a service industry perspective*, *International Design Business Management*, p.5

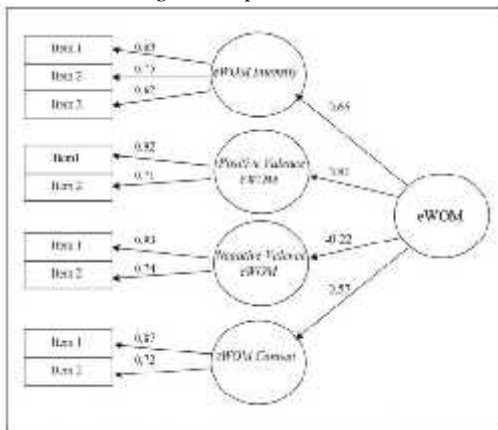


Figure 2. Measurement scale in an e-service context

Source: Goyette et al. (2010), *e-WOM scale: Word of mouth measurement scale for e-services context*, *Canadian Journal of Administrative Sciences*, p.14

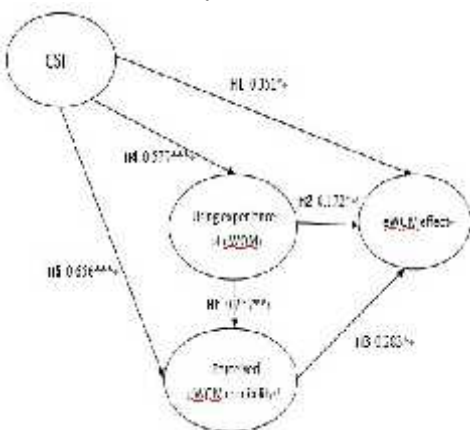


Figure 3. Structural model of E-WOM

Source: Park et al. (2011), *Factors influencing e-WOM effects: using experience, credibility and susceptibility*, *International Journal of Social Science and Humanity*, p.77