Impact of Online Reviews and Ratings on Buying Behavior

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ABSTRACT

In the contemporary times, the people are connected in a way they were never before, because of the development of www(World Wide Web) or what is simply called as internet. There is one more factor which has contributed to the increased connectivity among people an that is Smartphone. People carry a small gadget, with which they are free to browse anything, read a book, watch a movie, listen to a song or rate and review any product or service whenever and wherever they want to. This has only augmented the use and popularity of internet and the development of e commerce. Before the beginning of 21st century people mostly used to get information from advertisements available on TV radio or in print media. However, due to the increased reach of internet people create their own content about anything be it a brand, product, place or a service and therefore supplement the information already available to them from the traditional modes of promotion which is commonly known as electronic word of mouth marketing. The information, in the form of product reviews, is generally factual and based on true experiences of the reviewers with the product, it plays a significant role in creating a positive or negative brand image in the minds of prospective customers. Once a customer is reviewing a product it acts as beacon light for the information seekers whether to buy or not to buy the product. A fact is that these reviews are mostly done by the real users of the product, which are not paid by the company. Hence, making these reviews more reliable trustworthy and an important element in word of mouth marketing with widest possible reach and at almost no extra cost.

Keywords: Electronic word of mouth marketing, reviewers, brand image,

1. INTRODUCTION

Before the advent of internet the WOMM was confined to only friends and family of an opinion leader. The internet changed the role and scope of WOMM as the earlier limitation of WOMM has been overcome and now it is electronic WOMM. the reviews of a customer living thousands of miles away from a prospect is helping him in the buying process as the E-WOMM is available to the prospect anytime and anywhere and at the same time the reviewer and the reader are anonymous to each other. WOM has been studied ever since Arndt [1] highlighted the significance of WOMM but these studies were confined to traditional WOMM which has got limitations which were overcame by the internet.

E-WOMM is supplementing the information which is already available to the customers from other promotional sources such as advertisement personal selling etc which are mostly under the control of the company. E-WOMM is generated by the existing customers for future customers helping them in decision making without taking into consideration the needs of the company whose products they are reviewing on the e-commerce portals. Hence WOM can have both positive as well as negative impact on the sales of the company as it is voluntarily done by customers. It is well beyond the control of the company as the marketing executives can do nothing regarding WOM.

E-commerce has brought intangibility to the physical products, just like services as they are no more physical to the online shopper. The changing nature of the retailing in the world were more and more people are switching to online shopping increases the role of E-WOMMM which is easily and readily available to everyone who is looking for insights in the product be it a good or service.

According to Word Of Mouth Marketing Association and American Marketing Association WOM is one of the most effective form of marketing. This shows the role of WOM in today's internet era, where the internet users are purchasing anything, anytime, from anywhere and the spreading WOM about the product to anyone living anywhere on earth, overcoming the barriers of the traditional WOM which was confined to the friends and relatives of the opinion leaders.

Today, every consumer is also a computer user. The online consumer performs all the functions of a traditional consumer on a computer while interacting with a system, i.e., a commercial Web site. He, therefore, also exhibits all the characteristics of a computer user. This makes it easy for the companies to collect feedback from its consumers to incorporate any modifications in its offering.

Online reviews and ratings which are user centered communication media have emerged as an influential source of prepurchase information.

2. REVIEW OF LITERATURE

The development of information technology has made many things easy and one such thing is the sharing of information by the consumers among themselves through the medium of internet or eWOM marketing where the consumers are at ease in evaluating any product. These evaluations in the form of ratings and reviews have the widest reach and it is only possible because of the diffusion of internet and e commerce. Amazon.com was the first to provide this option to its customers in 1995.

Word-of-mouth (WOM) communication is considered a valuable marketing resource for consumers and marketers and a reliable and effective metric for measuring customer loyalty with critical implications for a product's success. WOM communication includes all forms of information exchange among consumers regarding the characteristics and usage of particular products, services, or vendors. It is widely considered to be a major driver for the diffusion of new products and services[2].

Consumer access and use of the web present a challenge to businesses as 'technology reach' continues to grow. Hennig-Thurau, Gwinner, Walsh, and Gremler[3] have stressed the relevance and importance of research into electronic word of mouth (eWOM) since people now have the opportunity and ability to post positive or negative consumption-related experiences and evaluations for any interested party to see. For future consumers, these reviews have the potential to enhance or detract from a brand and, consequently, to impact on a firm's reputation. Importantly, eWOM originates from multiple consumers who discuss a range of product attributes in order to give others insight into the target product. Thus, as part of product decision-making or choice, potential buyers can enter a community of past-purchasers to obtain information prior to making a purchase. WOM has influenced consumer information search and buying decisions [4]

Customer reviews have become one of the most frequently accessed online information sources, as consumers appear to be weary of traditional, marketer dominated information channels[5].

Reichheld [6]claims that a customer's propensity to recommend a product to others termed ''referral value'' is the most important success measure in business today and he also argues that referral value may predict firm performance even better than traditional measures such as customer satisfaction. Hence, eWOM has fundamental implications for management strategies such as customer loyalty brand equity and customer acquisition

What makes online feedback mechanisms different from the word-of-mouth networks of the past is the combination of (1) their unprecedented scale, achieved through the exploitation of the Internet's low-cost, bidirectional communication capabilities, (2) the ability of their designers to precisely control and monitor their operation through the introduction of automated feedback mediators, and (3) new challenges introduced by the unique properties of online interaction, such as the volatile nature of online identities and the almost complete absence of contextual cues that would facilitate the interpretation of what is, essentially, subjective information[7].

According to N Amblee and T Bui [8] online product review forums, blogs, discussion boards, and other forms of user centered Internet media have emerged as an influential source of prepurchase information, with 26 percent of Internet users reporting that they have contributed to them and 61 percent reporting that they find them valuable and trustworthy.

Word of mouth (WOM) refers to interpersonal communication among consumers concerning their personal experiences and evaluation of a firm or a product[9]. These communications exert a powerful influence on consumers purchase behavior especially in the presence of experience goods such as hospitality service [10]. An experience good is a product or service where product characteristics such as quality are difficult to observe prior to its consumption[11][12]. Therefore, consumers tend to rely on WOM to reduce their level of perceived risk and uncertainty[13].

The amplified reach of internet and online response is having a momentous impact on the way people get together information about the decisions they are about to make be it purchasing a new phone, watching a movie or buying a book from amazon.com. Anecdotal evidence suggests that people now increasingly rely on opinions posted on such systems to make a variety of decisions ranging from what movie to watch to what stocks to invest in[14]. Only ten years back, the same people would primarily base those decisions on advertisements or professional advice. Few years ago this information would have been collected through professional advice or advertisements and these trends have important reflections for the managers of today's networked organizations as they need to understand how the growing attractiveness of large scale online feedback mechanisms affect a wide range of activities within their organizations [7].

In the internet era, the consequence and distribution of WOM have further enhanced, as individuals can now make their opinions easily accessible to other internet users[7]. In recent years, theWorld Wide Web has been shifting from a business-to-consumer marketing to a peer-to-peer model for giving out the information[15].

According to D Mayzlin [16] online feedback mechanisms can serve as a low cost and, potentially, effective channel for acquiring and retaining customers, complementary to advertising.

The online feedback platforms also play a significant role in product development and quality control. According to C Dellarocas [7] online feedback networks can assist an organization to better understand consumer reactions to its current product line and they can also accelerate the dissemination of information about product defects.

Online consumer behaviour has been the topic of noteworthyinvestigation in the last decade, but understanding online consumer behaviour is made complex by the fact that consumers have been transformed. First, each consumer at the moment is also an internet user depicting the traits of both traditional customer and online customer. While interacting with the online shopping portal the e-customer performs all the functions of a traditional consumer over the system and is having all the characteristics of an internet user. Second, the information technology has altered the physical store into a virtual store. In the physical commercial world, the IT used for operations remains most in the background, invisible to the consumer. However, in e-commerce the technology has been moved to the foreground and has become the store itself as a Web site[17]. Such Web-based stores that use "networks and Internet technology for communications and transactions between various groups of stakeholders like businesses and consumers" have recently also been called Net-enabled organizations (NEOs).

At the turn of the century, consumers in many countries experienced increased spending power, and globalization, megamergers, and new communication capabilities changed the rules of the game in international retailing. Whereas in the 20th century global retailing focused on similarities of consumers across borders, in the 21st century effective retailing will require understanding differences among consumers across borders. Converging technology and disappearing income differences across countries will not lead to homogenization of consumer behaviour. Rather, consumer behaviour will become more heterogeneous because of cultural differences. As consumer incomes converge across countries, the manifestation of value differences will become stronger[18].

While considering WOM a few questions needs to be answered like

- Why do consumers spread WOM? Westbrook [19] indicated, in a study that examined usage and post purchase behaviour of automobile, and cable television purchasers, that positive and negative feelings associated with a product experience created inner tension and called for a discharge in the form of WOM. Other authors added to these emotions, and noted that a consumers affective elements of satisfaction, pleasure, and sadness all motivated consumers to wish to share experiences with others [20][21].

- Where does WOM originate? The key WOM player is the opinion leader, an active user who interprets the meaning of media message content for others, i.e. opinion seekers. In past studies, opinion leadership has been found to be domain specific (Goldsmith & Flynn, 1993). Opinion leaders interested in particular product fields, make an effort to expose themselves to mass media sources, and are trusted by opinion seekers to provide knowledgeable advice. Numerous such relationships have been reported across a range of fields and products.

- What are some variables that mediate WOM? The literature suggests two types of mediating variables: those which influence the message originator and those which influence the listener. There are numerous examples of each in the literature. Gremler, Gwinner, and Brown [22] studied the behavior of bank customers and dental patients and noted that a positive personal relationship between the company's employees and their customers resulted in a higher likelihood that customers would spread positive WOM about the firm. Dichter (1966), who researched the purchase decisions of more than 10,000 consumers, suggested that consumers with higher product involvement generated increased WOM. Earlier research by Arndt (1967) on the purchase behavior of discounted food products by married students showed that the degree of sociometric integration (i.e. the consumer's degree of integration into their community) was directly related to their willingness to receive WOM. An experiment by Laczniak, DeCarlo, and Ramaswami [23] focused on the influence of negative WOM on purchase decisions for personal computers. Their results indicated that consumers considered the source of information, particularly negative information, before having a change of opinion about a product or service. Thus, there are myriad variables that can affect the effectiveness of WOM as a means of influencing consumer behavior. It seems that the more we study the phenomenon, the more mediating variables emerge from the research.

What are the expected outcomes from the dissemination of WOM? Unsurprisingly, the overarching conclusion is that favorable WOM increases the probability of purchase, while negative WOM has the opposite effect. Such a finding has remained largely unchanged since shared by Arndt in 1967. A study by Mahajan, Muller and Bass [24] extended the earlier work of Arnd (1967) and found that WOM could influence product evaluations. Recently, [25] studied one specific form of WOM, the online ''know-how forum''and determined that online WOM impacted not only the receiver's perceived value of a company's products, but also their loyalty intentions. Thus, the exchange of product information through WOM empowers consumers and lessens producer/consumer information asymmetries [26], [27] . Ultimately resulting in an acceleration or deceleration of product acceptance [28]

The above discussion of the literature has been consolidated into a model of EWOMM, as reflected in Fig. 1

CONCLUSION

The trend of reviewing the product was initially started by amazon.com to rate the books it has sold to the customers. This was an altogether different concept, which later on was applied to every product amazon.com sold on its platform and the other major e-retailers in the world followed the same trend enabling their customers to rate and review their purchases. The online reviews and ratings have changed the very nature of the traditional promotional mix as it is supplementing the information available to the audiences from these sources.

From the review of literature it is evident that the electronic word of mouth marketing is helping the existing customers to disseminate the information for the prospective customers to help them in the buying decision stages- information search, evaluation of alternatives or finally purchasing the product.

The role of electronic word of mouth marketing is also evident from the fact that the e commerce has changed the very nature of the physical products. The physical products are no longer physical as the customer is not able to touch the product because only the description of the product is available to him and some pictures on the shopping portal. Here the electronic word of mouth marketing is vital in clearing the doubts and helps him to decide whether to purchase or not.

The electronic word of mouth marketing is peer to peer which increases its reliability and trustworthiness for the prospective buyers to act on it. The traditional promotional mix was wholly controlled by the company and the audience was always at the receiving end of the information. But the internet has made the customers content creators not content viewers as was the case with traditional modes of promotion. Earlier the content was created by the company and now the customers are sharing the information amoung themselves without caring what the company, whose products they are reviewing, wants. This unbiased nature of EWOMM increases its role in the present era.

The conclusion from the review of literature is that favorable WOM increases the probability of purchase, while negative WOM has the opposite effect. In the present study we will not only try to know the role of E-WOMMM vis-à-vis sales but also in terms of brand awareness, brand image, brand relationships and brand responses.

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