An Exploratory Study on the Factors Affecting Electronic Word-of-Mouth

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Abstract - Lately, consumers have collected information and sought advices from other consumer through Internet. They could collect information in virtual space (online) not real world, which is Electronic Word of Mouth (eWOM). This study focused on research the factors on effect in Electronic Word-of-Mouth (eWOM) in the open market which is mediate between individuals and online stores. This is an exploratory study for research on finding factors of effect in eWOM. Five factors are selected from interview with 31 consumers. Then online survey is conducted. This study is academically new approach on an exploratory study and it could suggest marketers to strategically manage eWOM.

Keywords - eWOM, Open market, Word of mouth.

I. INTRODUCTION
Various factors are affecting consumers’ purchasing behavior and decision-making. As the social existence, consumers tend to exchange their purchasing experiences with other consumers and reflect them into purchasing decision. This trend is called ‘Word-of-Mouth (here after referred to as “WOM”),’ that is regarded so influential on their purchasing behaviors and decisionmaking [11]. The Internet is the source of online WOM so effective to share information on products, services, transactions and purchasers.

For now, studies on comparison between online shopping malls and open markets have been still unsatisfactory. In relation to this, Joo-Ryang Lee [7] regarded the biggest difference between open markets and online shopping malls as product sourcing and subjects of sales. The online shopping malls are operated by MD (merchandising) system whereby workers in charge of purchase select and purchase products and then sell them after registration into shopping malls, whereas open markets are based on sellers’ direct sales method for sellers to directly register and sell products.

This research aimed to make a research on factors affecting WOM activities of consumers with limitation to open market environments. Moreover, it made another trial to understand factors of WOM activities in open markets, differently from previous researches, with advance interview on the subjects of consumers who have performed WOM activities in open markets.

II. RESEARCH MODEL
People’s mind to share information with others is found in TRA theory. TRA has been widely used as a model to search
individual activities [5]. Accordingly, in the open market the relationship between customers’ information sharing desires and WOM activities are hypothesized as follows.

**Hypothesis 1:** Information sharing desire has a positive effect on WOM activities in the open market

Until now, researches on customer satisfaction have been widely used as the research topic [12]. Likewise, according as, in the open market, higher experiences in positive transaction of consumers lead continuous visits, they are allowed to write their reviews on transaction experiences, with the supply of good products and services, which are generally used as tools for later consumers. According to the interview, both satisfaction and dissatisfaction with transaction were factors of WOM activities. According to researches to verify these, customers who are satisfied with transaction conduct friendly WOM activities toward transaction companies [2] [4] [8].

Conversely, there have been researches on the negative relationship between CS and WOM. Accordingly, the relationship between customer satisfaction and WOM is hypothesized as follows.

**Hypothesis 2:** Customer satisfaction in the open market has a positive effect on WOM activities.

When being connected with social interaction, individuals tend to expect such connection to appear in the form of social compensation, such as their position or recognition and respect from others [6]. According to the interview, some people responded that they were conducting WOM activities to increase self-satisfaction. Self-satisfaction is related to self-respect, accordingly the relationship between self-presentation desire and WOM activity is hypothesized as follows.

**Hypothesis 3:** Self-presentation desire in the open market has a positive effect on WOM activity.

People get satisfaction from compensation. Here, compensation is all types of positive or attractive compensation given to a performer on a specific behavior. In economic exchange theory, extrinsic reward is mainly considered. This representative example is open markets’ operation of various incentive systems using mileages or a small amount of compensation to encourage participation of consumers and improve the quality of information reward (e.g., Gmarket coupon).

Separately from this, social exchange theory is related to intrinsic reward [3]. For representative example, they answered there were point and mileage benefits as economic reward, and their psychological achievements by the help of their WOM activities on others’ purchase decision as psychological reward. Accordingly, in this research the relationship between expectation on reward and WOM activity is hypothesized as follows.

**Hypothesis 4:** Reward in the open market has a positive effect on WOM activity.

Loyalty refers to a commitment to repetitively purchase a preferable product or service or to become a regular customer [9]. In case of online shopping malls suffering from severe customer churn, loyalty is regarded as a more important concept [8]. It becomes a factor for continuous retention of customers and maintenance of long-term relationship. Some researches on loyalty suggested that it leads to customers’ positive behavioral intention and behavior toward companies [2]. Accordingly, the relationship between loyalty and WOM activity is hypothesized as follows.

**Hypothesis 5:** Loyalty to the open market has a positive effect on WOM activity.

III. DATA ANALYSIS

A. Survey Tool and Data collection

In this research, the online survey was conducted with customers of Korea’s open markets (6 markets, in addition to Gmarket, Auction, 11TH Street and Interpark) and persons experienced in using them, with limitation on subjects experienced in purchasing products and doing WOM activity in the open market.
About 77\% of the respondents were males, and among them, those aged in their twenties and thirties accounted for 80\% of total respondents. Moreover, their average age was 25 years old, and about 73\% of the total respondents were office workers. In this research, all measurement items were developed with reference to previous researches, if possible, and they were measured through a 7-point Likert scale.

1) Reliability and Validity Analysis

As a result of analysis, for the measurement items, their factor loading scores exceeded the standard, .6. Accordingly, the sampled factors were analyzed to secure the validity, and their Eigen values exceeded the standard, 1.0, and cumulative variance of 82.485\% seems to show explanatory power of about 83\% to total variance. According as reliability analysis was conducted to verify the reliability of individual variables and cronbach alpha values were derived to check the suitability, all cronbach alpha values of variables exceeded the standard, more than .7. See “Table 1”.

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Moreover, according as correlation analysis was conducted to verify the discriminant validity, their Pearson correlation coefficients met the standard, less than .7. Accordingly, the measurement tools used in this research were judged to have the validity synthetically.

B. Multiple Regression Analysis

In order to test the hypotheses of this research, multiple regression analysis was used. First, in view of existence of correlation between independent variables, the VIF is less than 10 and the condition index is less than 30, so there is no doubt about multiple collinearity. Results from application of regression analysis results for hypothesis test of this research are as follows. As a result of hypothesis test, 4 hypotheses (significant at H1, H3: P value < 0.05, H4: P value < 0.01, H5: P value < 0.001), except for H2, were selected from all 5 proposed hypotheses. This model was shown to have explanatory power of 35.4\%.

First, information sharing desire in the open market (H1) had a very significant positive effect on WOM activities, and the standardized coefficient was 0.113. Second, customer satisfaction in the open market (H2) was not significant, differently from expectation to have a positive effect on WOM activity. For this analysis, as a result of post-hoc analysis, customer satisfaction had a significant effect on loyalty (path coefficient=0.45, t=7.98, R\(^2\)=0.20). Accordingly, the influence of customer satisfaction seems to have been fully mediated by loyalty. Third, self-presentation desire in the open market had a significant positive effect on WOM activity, and the standardized coefficient was 0.120. Fourth, reward in the open market had a significant positive effect on WOM activity, and the standardized coefficient was 0.171. Last, loyalty to the open market had a significant positive effect on WOM activity, and the standardized coefficient was the highest among other variables, 0.435.

IV. RESULTS AND DISCUSSION

In this research, as a result of research on 5 hypotheses proposed to investigate effects of information sharing desire, customer satisfaction, self-presentation desire, reward and loyalty on WOM activity, 4 hypotheses were selected from 5 research hypotheses.

First, information sharing desire in the open market has a significant positive effect on WOM activity. It means that people agree to willingly give information for others, with the significance to share valuable information.

Second, this research didn’t find a significant effect of customer satisfaction in the open market on WOM activity.
According to Richins [11] and Anderson [1], both satisfaction and dissatisfaction with transaction have an effect on WOM activity, and particularly a factor of dissatisfaction has a greater effect. This survey was conducted with consumers who have experienced in transaction in the open market. In this regard, it is judged that the respondents would remember an experience of dissatisfaction much longer, instead of that of satisfaction among previous experiences, and maybe their responses were based not on experience of satisfaction but on that of dissatisfaction.

Third, self-presentation desire in the open market has a positive effect on WOM activity. People want to communicate their purchases of products or services to others in the open market, in order to show their abilities or levels to purchase and use what kind of products or services. In other words, self-presentation is a process where a person tries to control his or her image formed by others, which could be used for WOM marketing.

Fourth, reward in the open market has a positive effect on WOM activity. It is generally divided into economic and noneconomic reward, and in this research they were explained, based on economic and social exchange theory. As part of site policies, most of open markets support monetary benefits or reward such as points or mileages to consumers who write their purchase postscripts in order to encourage WOM activity. So many people responded that they frequently used monetary benefits obtained in reward for their purchase postscripts and were motivated to do WOM activity. However, some people who used to write their purchase postscripts voluntarily, regardless of monetary benefits, responded that they wrote their purchase postscripts as a token of gratitude for good transaction or wanted to enhance self-achievement by helping others. This has something to do with social exchange theory [3].

Last, loyalty to the open market has a positive effect on WOM activity. In view of the fact that WOM activity is used as a method of marketing, it is natural for loyalty to have influence on WOM activity. As a result of research, customers who have loyalty to the open market are judged to do WOM activity to express themselves as regular customers.

V. IMPLICATIONS

In an aspect of academic meanings of this research, researches on factors of online WOM activity were mainly those focusing on marketing and MIS fields, and main research results showed that factors such as customer satisfaction and loyalty were related to WOM activity. This is because there have been not many researches on eWOM yet, and there have never been greater academic meanings so far, compared with customer satisfaction and loyalty.

However, in this research, direct interview was conducted with consumers who have experienced in WOM activity in the open market, and selected 5 factors from various factors influencing WOM activity which were obtained from users’ viewpoints, according to classification processes. Such factors which have a significant influence on WOM activity could be basic factors for further researches. In particular, the factor of customer satisfaction showing an insignificant result will lay a cornerstone for development of loyalty or factors which could substitute for this.

Moreover, this research was differentiated, in comparison with other researches, in view of sampling of factors through the interview, and was given an opportunity to systematically and intensively arrange factors influencing WOM activity.

In a practical aspect of this research, it emphasizes the importance of strategic establishment for utilization of eWOM as a marketing tool for companies, which do online business in the open market. In view of actual conditions such as monopoly of huge open markets and presentation of monetary benefits as reward, it is quite important to accurately understand factors of which consumers of open markets make much.
According to results of this research, proper utilization of self-presentation desire in the open market, it is possible to consider plans for extending opportunities of self-presentation given to customers. With appearance of devices which allow social network services anywhere, environments for activation of eWOM have been constructed.

Last, this research suggested that it is required to overcome limitations of the present reward systems of open markets and establish new reward systems. For now, according to the reward system of open markets, monetary benefits have been mainly supplied to encourage participation in WOM activity. However, as a result of this research, psychological reward, as well as monetary benefits, was found to be considerably influential. This result suggests the necessity of extending areas of reward in the open market and reconsidering the meaning of reward to consumers.

VI. LIMITATIONS AND FUTURE RESEARCH

This research has some limitations. First, it conducted an online survey, with limitation on Korean open markets. As some huge open markets have controlled environments of Korean online markets as monopolized, sampling of open markets were inevitably limited. In particular, Korean huge open markets are employing their operation policy to encourage WOM activity of consumers through points or mileages, so they could be different, in comparison with foreign open markets involving remarkable voluntary participation. For generalization of this research, it is required to investigate whether the same research on foreign open markets could obtain general results. Second, in the course of selecting items for measuring the influence of customer satisfaction on WOM activity, according to the second hypothesis of this research, it is necessary to simultaneously investigate two cases, satisfaction and dissatisfaction with transaction. The original purpose of this research was to investigate the influence of satisfaction on WOM activity, regardless of satisfaction and dissatisfaction. Accordingly, it was more necessary to understand more accurate factors by separate investigation into the two cases, satisfaction and dissatisfaction, if measuring items could include or could never include the cases simultaneously. Accordingly, further researches are required to consider these matters.

REFERENCES