INFLUENCE OF ONLINE REVIEWS ON PURCHASE DECISION OF ONLINE SHOPPING CUSTOMERS

ABSTRACT

In modern times Internet has enabled the customers to share their opinions, experiences regarding purchase of any goods and services. Before consumers make a purchase decision, they use online reviews to judge whether they should purchase. After purchasing, users post their comments according to their experience on the online sites. These online reviews mainly discuss usefulness and credibility. This study is carried out to know the influence of online reviews on buying decisions among online shoppers. The study is focused on online shoppers who seek user’s reviews before making purchasing decisions. This research will identify the various factors related to online reviews which influence the users in making buying decisions. Further this study will also focus on identifying effectiveness of online reviews as an influencing factor on customers buying decisions. This study is being conducted using a semi-structured questionnaire and data has been collected from a sample of 200 respondents. Different statistical methods have been used to analyse the data. Softwares like SPSS and MS Excel will be used for data analysis.

KEYWORDS: Online reviews, buying behavior, usefulness, shopping, e-wom

INTRODUCTION

In today’s generation social networking sites are part of everyday life. 95% of all teen aged (13-19) are now a days found online and more than 80% of those online teens are users of social media sites. Not only teens but we can now find all age groups on social networking sites. Due to high rush in the variety of audience, now the marketers are targeting their customers through these media. The communication through social media has not only attained deep impact over the customer buying decision-making but also on the marketing strategies and brand images of the marketers. Checking online reviews before purchase decision and consumers’ consideration of these reviews is the most important aspect of communication by word of mouth. Therefore, electronic word of mouth critically affects consumers’ product reviews and their buying intention (Zhang and zue, 2010; MBambuer-Sachse, 2011). Brand image is important for companies’ future profit and their long-term cash flow, companies’ coalition and acquisition decisions, their stock price, sustainable competitive advantage and their success in the market (Yoo & Donthu, 2001). The brand image is referred as the sum of connotations accumulated by perceptions regarding a product that is formed in the consumers’ mind (Keller, 1993). For that reason, brand image includes consumers’ experience and evaluations related to brand (Yang and Wang, 2010; Bian & Moutinho, 2011).

Reichheld (2003) claimed that a customer's willingness to recommend a product to others is termed as the referral value of a product or service, which is the most important success measure in today’s business. Reichheld argued that referral value has a higher correlation to the firm’s performance than such traditional measures as customer satisfaction. The objective of this study is to explore the impact of online reviews on purchase intentions of customer and the effectiveness of online reviews as an influencing factor on
customers purchase intentions. Customer generated reviews have become a very important mode of collecting information about a particular product. An attempt has been made to understand the impact online reviews have, on the purchase intentions of the customer. Through the literature review it was found that online reviews have a very important place in the pre-purchase decisions of the customers. These reviews have found to be most instrumental in pushing the customer to the potential buyer’s showroom. Hence the study has resulted in concluding that online reviews have been the most powerful tool in conveying information related to product and services to customers. In fact the feedback provided by these reviews help the business to improve the quality of product and services. E-WOM (e-word of mouth) has significant and positive impact on brand image and purchase intentions of the online information seekers.

LITERATURE REVIEW

The term online review is used to refer to the consumer-generated recommendations and information about a product by the customers, who have already bought the product or service (Bae & Lee, 2011; Lee et al., 2011). This information generally contains consumers’ evaluations, opinions and experiences (Park et al., 2007). In recent years, there have been a number of attempts to identify the relationship between online reviews and firms’ performance. Although it is widely accepted that online reviews have an effect on measures of marketing performance (for example, Clemons et al., 2006; Chevalier & Mayzlin 2006; Gauri et al., 2008; Gruen et al., 2006; Huang & Chen 2006; Duana et al. 2008; Lee & Youn, 2009; Stephen & Galak, 2012; Tirunillai & Tellis 2012; Zhang and Zue 2010), mixed outcomes were concluded. For instance, Moe and Trusov (2011), found that the dynamics of online reviews of products could have a direct impact on sales.

On the other side, the nature of online review and ratings of digital microproducts were found not to play any role in buying decisions of consumers (Bui and Amblee, 2012). In case of the movie industry, moreover, the valence of online reviews was demonstrated to be an important predictor for box office collections (Chintagunta et al., 2010). Similarly, Dellarcocas (2007) concluded that the valence of online reviews might contribute in the decay of a movie’s external publicity. Amblee and Bui (2012), in contrast, argue that the valence of online reviews can’t be accepted as a credible predictor of sales. Drawing on the effect on purchase intention, nevertheless, a clearer conclusion was reached. Recent evidence suggests that online reviews have an impact on consumer behavioural intention (Hwang, 2009; Samiei and Jalivand, 2012; Lee et al., 2011; Lee and Park, 2008). Even though it shows direct positive relationship, features and strengths differ due to various factors like product type and customer involvement (Park et al., 2007; Sen & Lerman, 2007). Lee et al. (2011) referred that, when the level of trust is high in online shopping malls, consumer purchase decision is affected by the information provided on the web whereas, when the trust level is low, there is not much difference in consumer purchase willingness.

In addition, product type plays an important role in online reviews since it is an established fact that consumers are more driven by online reviews for experience of new products (whose qualities cannot be acquired until the use of the product) than for search products (whose attributes can be easily identified prior to purchase) (Bae & Lee, 2011; Park & Lee, 2009; Lerman and Sen, 2007; Nantel & Senecal, 2004). Moreover, the influence of the ‘recommender’ role of online reviews on purchase intention is superior to their ‘informant’ role for low-involvement customers while, for high-involvement customers, the impact of the ‘informant’ role of online reviews is greater than their ‘recommender’ role (Park & Lee, 2008). On the question of the effects of online reviews, the factors that moderate such effects have emerged. Firstly, it has been demonstrated that the consumer consumption goals that are related to the reviewed product mediate the relationship between the valence and persuasiveness of the online reviews (Zhang et al., 2010).

The effect of this mediation on persuasiveness, however, varies according to the type of consumption goal. When the product is associated with prevention goals, the customer perceives negative reviews to be more convincing, while, when the product is associated with promotion goals, the customer perceives the positive reviews to be more convincing (Zhang et al., 2010).

OBJECTIVES

The main purpose of the study is to find the relationship among online review, brand image and the resultant buying decision.

1. To identify the various factors related to online reviews which influence the users in making buying decisions.
2. To analyze the effectiveness of online reviews as an influencing factor on customers buying decisions.

RESEARCH METHODOLOGY

This study is descriptive as well as exploratory in nature. Methods like questionnaires and observations have been used for this study in the come up to online shopping between different gender, different demographic areas, in different types of age group interests of expectance, interest, based on the study, the design of a questionnaire.
survey which is chosen as the only enormous public and professionally. The study was to done on 200 respondents by filling questionnaire on online shopping based on liker scale. Data was gathered through different population of Teachers & students from different institutions and from the general public with different professions form NCR, Delhi. Different statistical methods were used to analyse the data using softwares like SPSS and MS Excel were used for data anlaysis

ANALYSIS AND INTERPRETATION

The reliability coefficient for the construct ranged 0.954 which exceeded the recommended level of 0.70 (Nunnally, 1978) (Table 1). The data analysis was carried out with using SPSS 22.0 package. In order to reduce data and to classify variables, factor analysis was applied. Factor analysis is one of the good tools used to verify the construct validation for a model (Hair et al., 1998). Before factor analysis, the adequacy of data for factor analyze should be examined. For this purpose, Kaiser-Meyer-Olkin (KMO) and Bartlett test was conducted. KMO value is calculated as 0.582 for adequate of sample (Table 2). Kaiser (1974) recommends accepting values greater than 0.5 as acceptable. So the KMO value shows that data are suitable of factor analysis. According to the results of Bartlett test, Approx. Chi-Square was calculated as 771.683 and highly significant level was p=000. The results show that sample and data are adequate for factor analysis and therefore factor analysis is appropiate.

<table>
<thead>
<tr>
<th>Table 1 Cronbach's Alpha value table</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability Statistics</td>
</tr>
<tr>
<td>Cronbach's Alpha</td>
</tr>
<tr>
<td>.954</td>
</tr>
<tr>
<td>KMO and Bartlett's Test</td>
</tr>
<tr>
<td>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</td>
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<td>Bartlett's Test of Sphericity</td>
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<tr>
<th>Table 2 KMO and Bartlett's Test</th>
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</table>

To describe the relationship between factors and all variables, Principal Components Analysis was conducted. As a result of the component analysis, rotated component matrix table was formed. Table 3 shows the variables and their related factor. Four factors were defined according to their relationship with variables which are; (1) Reviews Features; (2) Review significance (3) reviews web site; (4) reviews related to product.
Table 2 Total Variance Explained

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
<td>Cumulative %</td>
</tr>
<tr>
<td>1</td>
<td>10.997</td>
<td>54.985</td>
<td>54.985</td>
</tr>
<tr>
<td>2</td>
<td>1.643</td>
<td>8.214</td>
<td>63.198</td>
</tr>
<tr>
<td>3</td>
<td>1.473</td>
<td>7.366</td>
<td>70.565</td>
</tr>
<tr>
<td>4</td>
<td>1.301</td>
<td>6.504</td>
<td>77.069</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis. Rotation Method: Quartimax with Kaiser Normalization. A Rotation Converged in 6 Iterations. As a result of the factor analysis, the four factors were determined. The four factors and their variances were given in the Table 3. According to the Table 3, the four factors explained the 77.3% of the total variance. It means the four factors can represent maximum variables.

Table 3 product wise reviews choice of customers

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Sum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>before selecting or purchasing [games]</td>
<td>200</td>
<td>68</td>
<td>1.89</td>
</tr>
<tr>
<td>before selecting or purchasing [movies]</td>
<td>200</td>
<td>89</td>
<td>2.48</td>
</tr>
<tr>
<td>songs</td>
<td>200</td>
<td>127</td>
<td>3.51</td>
</tr>
<tr>
<td>electronic items</td>
<td>200</td>
<td>127</td>
<td>3.53</td>
</tr>
<tr>
<td>kitchen items</td>
<td>200</td>
<td>104</td>
<td>2.90</td>
</tr>
<tr>
<td>books</td>
<td>200</td>
<td>118</td>
<td>3.28</td>
</tr>
<tr>
<td>educational institutions</td>
<td>200</td>
<td>127</td>
<td>3.52</td>
</tr>
<tr>
<td>tour destination</td>
<td>200</td>
<td>116</td>
<td>3.22</td>
</tr>
<tr>
<td>mobile apps/softwares</td>
<td>200</td>
<td>140</td>
<td>3.89</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4 shows the product wise reviews considered by the customers. According to the results are given in Table 4, mobile apps/softwares review is regarded as more important. Therefore, it’s suggested that other reviewers’ evaluations related to apps and softwares should be presented on web sites. Next customers seek reviews related to songs, electronic items and educational institutions. Overall it is depicted that users use online reviews for making purchase decision.

FINDINGS
1. It was found that customers take help of online reviews before selecting and purchasing mobile apps/softwares, books, kitchen items, electronic items etc.
2. Four factors were identified from the selected statements using Factor analysis namely:
   - Electronic word of mouth
   - Brand attitude
   - Purchase intention
   - Purpose of seeking online reviews

CONCLUSION
The finding of the study conclude that customer’s seek online reviews before making purchasing decisions. This research has identified the various factors related to online reviews which influence the users in making buying decisions. Before consumers make a purchase decision, they use online reviews to judge whether they should purchase. After purchasing, users post their comments according to their experience on the online sites. These online reviews mainly discuss usefulness and credibility. Further this study has focused on identifying effectiveness of online reviews as an influencing factor on customers buying decisions.

REFERENCES


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