



# A mixed methods approach to electronic word-of-mouth in the open-market context<sup>☆</sup>



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## ABSTRACT

Electronic word-of-mouth (eWOM) has been identified as a key factor affecting online sales. However, the factors leading to eWOM in the open-market context are not fully understood. Since many Internet vendors have adopted the open-market business model, it is essential to understand the factors for eWOM leading to the success of open-market business. This study investigates factors affecting eWOM in the open-market context based on a sequential combination of qualitative and quantitative research methods. The exploratory findings in the qualitative study form the basis for the quantitative study survey research. The findings from this mixed methods study indicate the significance of three new factors (information-sharing desire, self-presentation desire, and open-market reward) and two established factors (open-market satisfaction and open-market loyalty) affecting eWOM directly and indirectly. This study makes a useful contribution to the broader literature on eWOM. These findings also inform open-market providers as to how to promote and manage eWOM for online business success.

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## 1. Introduction

Various factors affect consumers' purchasing behaviors and decision-making processes. These include social information based on other people's input and viral marketing that exploits social networks by encouraging customers to share product information with their friends (Leskovec, Adamic, & Huberman, 2007). People can easily share their purchasing experiences with others because social network services are readily available for consumers in the online context. Many people incorporate information from other consumers (e.g., opinions, comments, and experiences) into their purchasing decisions. Social network services have the important implication that information can spread quickly and widely throughout the network (Rodrigues, Benevenuto, Cha, Gummadi, & Almeida, 2011). For instance, the phenomenon of users' recommending favorites to friends and followers plays an important role in shaping other users' behaviors and purchases (Huang, Cheng, Shen, Zhou, & Jin, 2012). This social networking

trend, called word-of-mouth (WOM), is highly influential on potential customers' purchasing behaviors and decision-making (Richins & Root-Shaffer, 1988). WOM refers to *interpersonal communication concerning the evaluation of products or service of interest* (Arndt, 1967). Today, social networking sites are known to be a major driver of traffic to many websites. For certain websites, Facebook and Twitter drive, respectively, 44 percent and 29 percent of the traffic (Schonfeld, 2010). These online social networks share tens of millions of web links every day (Rao, 2010), and we expect that the amount of information exchanged by word-of-mouth in online social networks will continue to grow over time (Rodrigues et al., 2011).

WOM is an online feedback mechanism that has been identified in previous research as a key factor affecting trust and online sales (Chevalier & Mayzlin, 2006; Dellarocas, 2003; Pavlou & Dimoka, 2006; Zhu & Zhang, 2010). WOM regarding target products or services reduces purchaser's uncertainties about these targets and the attendant risks in their purchase and use. This form of reassurance can then affect development of customer trust in the target item, which can help customers decide to purchase the target item. For this reason, previous research on WOM has regarded the WOM-based marketing approach as being effective in the promotion of sales (Chevalier & Mayzlin, 2006), much more so than advertising or individual sales activities (Katz & Lazarsfeld, 1965).

Clearly, WOM is one of the most influential sources of marketplace information for customers (Dellarocas, 2003). WOM is created, spread through online WOM platforms such as product

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review websites, retailer websites, brand websites, personal blogs, message boards, social networking sites (Lee & Youn, 2009). However, most previous studies have examined the roles, effects of electronic WOM (eWOM) in the context of a single online vendor, such as Amazon.com<sup>1</sup> (Brown et al., 2005; Chen et al., 2011; Chevalier & Mayzlin, 2006; Forman, Ghose, & Wisenfeld, 2008; Gruen et al., 2006; Lee, Lee, & Shi, 2011; Mudambi & Schuff, 2010). That is, a single market manages the whole online business without any other online vendor in the single marketplace. In recent research, Chu and Kim (2011) examined how social relationship factors relate to eWOM transmitted via social websites. Their study confirmed that tie strength, trust, normative and, information influences are positively associated with eWOM. Although it is meaningful to determine the role, effects of eWOM in such a context, there are limitations to applying the findings to other contexts, such as the open market context.

The open market is a fast-growing market in the online shopping context. Open market means a marketplace where many parties (individuals and businesses) can sell their products for a negligible fee. Customer-to-customer (C2C) is the main business format in an open market (Jung, 2006). Sellers participating in an open market try to provide something unique regarding their products or services to differentiate themselves from others (Jean et al., 2008). There are several cases of open market, such as eBay and App-Store. In an open market, the market provider (e.g., eBay Inc. and Apple Inc.) provides the platform through which the many vendors participate and sell their products or services to customers. For example, eBay manages its entire online market by allowing vendors to conduct business on its online market platform. Open markets have brokerage fees as their main revenue sources, and they have evolved into various forms, like B2C (Business to Consumer), B2B (Business to Business) and C2B (Consumer to Business), from their initial form of C2C (Consumer to Consumer) (Choi & Lee, 2012).

Customers may share their experiences and information about vendors as well as the products and services they have received in the open market context. Potential customers consider it important to research the vendors as well as the products and services offered. However, the factors affecting eWOM in the open market context have not been well-researched. To better understand eWOM in the open market context, customer perceptions and open market characteristics should be examined.

Therefore, this study aims to investigate factors affecting eWOM in the open market context, conceptualizing eWOM as *individuals' information sharing and communication activities with others in a particular online context*. To develop a better understanding of the phenomena related to eWOM in the open market context, we use a sequential combination of qualitative and quantitative research methods (i.e., mixed methods) in which findings from the qualitative study provide empirically based insight that informs the subsequent quantitative study.

We collected qualitative data by conducting interviews with 31 customers who experienced eWOM in the open market to explore what motivated them to communicate via eWOM. The qualitative study results informed the subsequent quantitative survey study and development of our model. The qualitative interviews also aided the interpretation of specific survey results for the 260 respondents, as will be discussed later. We collected quantitative data through online surveys to empirically test the research model. This study contributes to research by adding to

the broader literature on eWOM. Moreover, the study can inform Internet vendors and open market providers on how to promote and manage eWOM activities for their online businesses.

## 2. Literature review

eWOM is a WOM system that exists in virtual space in which messages are sent or received related to products or services, and which users experience through chatting or online boards. In a recent study, eWOM was defined as interpersonal communication among consumers regarding a company, product, or service through Internet-based technology (Noh, Lee, Sohn, & Kim, 2013).

There have been several studies on eWOM (see Table 1). Based on the conceptual development of eWOM (Dellarocas, 2003), previous studies have examined the roles and effects of eWOM in online shopping contexts, such as in sales (Brown et al., 2005; Chevalier & Mayzlin, 2006; Lee et al., 2011; Zhu & Zhang, 2010) and business performance (Duan et al., 2008). In particular, previous research has identified several motivators related to eWOM activities, such as commitment (Brown et al., 2005), customer perceptions of product value (Gruen et al., 2006), and identity (Forman et al., 2008). However, the role and effects of eWOM have been examined only in the context of a single online vendor (Brown et al., 2005; Chen et al., 2011; Chevalier & Mayzlin, 2006; Forman et al., 2008; Gruen et al., 2006; Lee et al., 2011; Mudambi & Schuff, 2010) or a single industry (Duan et al., 2008; Zhu & Zhang, 2010).

In contrast, there has been little research on eWOM in the context of an open market, which is the focal context in the current study. eWOM is expected to play a key role in the open market because many customers share their transaction experiences and information with others. The characteristics and customer perceptions of the open market should be considered in examining eWOM.

WOM is a widely accepted notion in the field of consumer studies in marketing. It plays an important role in explaining consumer attitude and behavior toward specific products and services. Previous research has found that positive WOM encourages consumers to purchase more (Li & Hitt, 2008). This is applied to eWOM in the present study, and factors effecting eWOM in the open market are analyzed. With the fierce competition in the open market, consumers can deliver information related to products or services that they have experienced, through online boards or chatting.

This study adopts a mixed methods approach for this examination: a sequential combination of a qualitative study and a quantitative study. The qualitative study based on the interview approach is helpful in exploring customer perceptions and open market characteristics. The quantitative study based on the survey approach is helpful in confirming the exploratory findings.

## 3. Qualitative study

### 3.1. Research method

We adopted an interview approach with experienced eWOM customers as a qualitative research method to explore potential factors affecting eWOM in the open market context. Although the interview approach has weaknesses, such as response bias, subjective interpretation, and reflexivity, it has several strengths, such as the capability to focus directly on the research topic and to deliver perceived causal inferences (Yin, 2003). We used a convenience sample for the exploratory and qualitative data collections. The coauthors used their personal networks to recruit interviewees who had experienced eWOM in the open market context. We structured interviews with 31 randomly selected experienced eWOM customers (see Table 2). The interviewed participants were 18 males and 13 females. Their average age was 28.6 years, with 61

<sup>1</sup> Amazon started as a single-market business and included open-market business later, so the Amazon Marketplace now has the form of an open-market business. Most previous researches, however, considered single-market business of Amazon.com in their studies.

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