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# Modeling word-of-mouth usage

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#### ABSTRACT

Despite the recognized influence of word-of-mouth (WOM) in the consumer decision making process, research investigating how listeners of WOM use this communication is limited. In this paper, the authors present a model which integrates factors influencing listeners' usage of WOM (WOMU) and the consequences of WOMU in listeners' purchase decisions. Empirical testing of the model indicates that characteristics of both the WOM speaker (trustworthiness, experience, and evidence) and the WOM listener (self-perceived knowledge and purchase involvement) affect WOMU, as well as whether the WOM is face-to-face or online. The results also show that WOMU strongly relates to attitude toward the recommended product. Implications for retailers and marketing researchers are given along with directions for future research.

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## 1. Introduction

Word-of-mouth (WOM) has been an important research topic in marketing literature for over fifty years. Early research indicates that WOM can have a substantial impact in the marketplace (Whyte, 1954), especially regarding product adoption and the diffusion process (e.g., Arndt, 1967; Brooks, 1957; Coleman, Katz, & Menzel, 1966; Czepiel, 1974; Engel, Kegerreis, & Blackwell, 1969; Holmes & Lett, 1977; Liu, 2006; Martilla, 1971; Sheth, 1971). WOM can be considerably more effective than conventional marketing approaches in influencing consumers' behavior (Katz & Lazarsfeld, 1955; Trusov, Bucklin, & Pauwels, 2009) and is a very dynamic form of interpersonal communication which goes far beyond the mere exchange of commercial information (Kozinets, de Valck, Woinicki, & Wilner, 2010). Constructs related to WOM, such as individuals' intention to engage in WOM, are among the most common dependent variables of interest in marketing research in recent years (e.g., Blodgett, Granbois, & Walters, 1993; Bowman & Narayandas, 2001; de Matos & Rossi, 2008; Hartline & Jones, 1996; Maxham, 2001). Further, the rise of electronic word-of-mouth (eWOM) also garners significant attention as this form of communication is much more visible and accessible than traditional WOM (Breazeale, 2009; Godes & Mayzlin, 2004; Phelps, Lewis, Mobilio, Perry, & Raman, 2004) and may influence hundreds or thousands of potential customers.

Most existing WOM research investigates how this communication operates from the perspective of the WOM source or speaker (Brown & Reingen, 1987; Reingen & Kernan, 1986; Richins & Root-Shaffer, 1988; Sundaram, Kaushik, & Webster, 1998), the effects of WOM on the listener (Bone 1995; Herr, Kardes, & Kim, 1991), and how to generate positive WOM (Higie, Feick, & Price, 1987; Maxham, 2001) while avoiding negative WOM (DeCarlo, Laczniak, Motley, & Ramaswami, 2007; Richins, 1983). Despite this wealth of research, there is little research concerning how *listeners* make use of the information a source of WOM provides in purchase decisions.

While some researchers assume that positive WOM will invariably lead to action, such as product purchase, on the part of the listener (e.g., Maxham, 2001; Reichheld & Sasser, 1990), research indicates that listeners do not make use of all WOM communications they receive, but rather that listeners evaluate the value of such communication according to a number of factors (Dichter, 1966), Currently, as noted in other research (Sweeney, Soutar, & Mazzarol, 2008), there is a gap in the marketing literature with regard to understanding what occurs after an individual provides WOM to a listener and whether and how that WOM will influence the listener's consumer behavior. Research in this area can benefit marketers' understanding as to when WOM is likely to be more influential, as well as how to best link referrals to customer lifetime value. As such, the purpose of this research is to develop a framework of the processes occurring between a positive WOM recommendation and the listener's purchase intentions. Specifically, this study examines what characteristics of the source of the positive WOM and what characteristics of the listener influence this process, as well as whether WOM usage operates differently if the communication is face-to-face or online. Since research indicates that positive and negative WOM operate differently at the speaker level, listeners of WOM may respond differently to positive and negative WOM. Thus, positive WOM is the focus of the model presented herein.

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The research question addressed here is how listeners use WOM from a speaker. This study makes three important contributions to the marketing literature. First, a greater understanding of the role of WOM communication from the listener's perspective has implications for retailers and brand and/or product managers attempting to best target and reach potential consumers. Second, the empirical examination of multiple factors related to WOM communication concurrently allows researchers to better understand the relative impact of each on WOM listeners. Third, since WOM communication serves a significant role in consumer socialization, the processes of adoption and diffusion of innovations, and how market mavens and opinion leaders spread their influence in the marketplace, the findings of this study can help marketing researchers better understand the mechanisms underlying these factors.

# 2. Literature review and hypotheses

WOM refers to interpersonal, informal communication about products, which can take the form of goods or services (Godes & Mayzlin, 2004; Liu, 2006; Richins & Root-Shaffer, 1988). Though research regarding WOM consistently finds that its power in influencing listeners is great (e.g., Arndt, 1967; Bone, 1995; Dichter, 1966; Sheth, 1971), knowledge regarding how listeners utilize the information a WOM source provides is limited. Understanding how consumers make use of WOM is critical for understanding the link between WOM and the listener's desire to act on that WOM (e.g. purchase intentions). The extent to which listeners utilize WOM information from a speaker in their decision making processes is herein referred to as WOM usage (WOMU). In a step toward better understanding WOMU, a model of WOMU is shown in Fig. 1. A discussion of the antecedents and consequences of WOMU, as well as moderators, follows.

# 2.1. Antecedents of WOMU

While many variables may impact WOMU, the following are those that have been most prominently and frequently cited in the interpersonal communication and marketing literature as influencing listeners of WOM. A thorough review of the WOM literature is beyond the scope of this study; Kozinets et al. (2010), Duhan, Johnson, Wilcox, and Harrell (1997), and Breazeale (2009) provide such reviews.

#### 2.2. Source trustworthiness

Source trustworthiness refers to the extent to which an individual's statements are believed to be genuine (Pornpitakpan, 2004). An integral, perhaps most vital, element of WOM is that its source can be trusted or viewed as impartial. This implies that the source does not have a vested interest in the listener's behavioral response to the communication. Attribution theory affirms that individuals make causal attributions in order to understand and account for events (Kelly, 1973). If a listener ascribes the reason for a product recommendation, for instance, to be the source's self-serving motives and not for the good of the listener, then the recommendation is likely to be heavily discounted. As such, marketers cannot typically serve as sources of WOM since their motive for communication is usually perceived to be focused on profit, not consumers' best interests (Bone, 1995). Effective WOM usually takes place when the speaker is not concerned with whether the listener engages in a specific behavior as a result of the communication. For instance, in studying the effects of WOM regarding a new food product, Arndt finds that "comments tended to reflect exchanges of opinion more than attempts to control the purchasing actions of the receivers of word of mouth" (1967, p. 295). Dichter (1966) states that listeners are seriously concerned with whether they can trust the speaker's comments.

## **H1.** Source trustworthiness is positively related to WOMU.

#### 2.3. Source experience

Source experience refers to the level of a source's familiarity with a specific topic that comes from actual usage, as perceived by WOM listeners (Braunsberger & Munch, 1998). Individuals who have engaged in product trial, for instance, have more experience with the product than others. Information processing theory affirms that the experience of information sources is particularly relevant for consumers in making decisions (Bettman, 1979). In studying consumers' patronage of automobile diagnostic centers, Engel et al. (1969) find that early patrons were frequently solicited for information regarding their experience. Source experience can be important even in low risk purchase decisions. For instance, a study by Sheth (1971) regarding the adoption of innovative products reveals that 48% of those who purchased stainless steel blades used for shaving said their purchase was influenced by a recommendation from a source who had experience with the blades.

## **H2.** Source experience is positively related to WOMU.

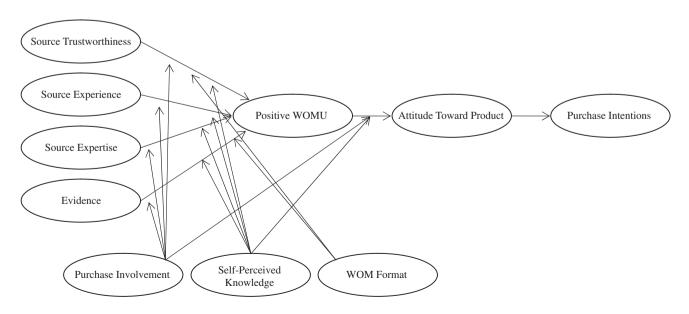


Fig. 1. Model of positive WOM Usage.

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