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Investigating Influential Factors on Word of Mouth in Service Industries: The Case of Iran Airline Company

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Abstract

The purpose of current research is to assess the influential factors on WOM in the context of Airlines and to explore the factors that are likely to enhance the chances that receivers of WOM might be influenced by such information. The statistical population was passengers who have used Iran Airline Company's services during January and February 2013. Using a pilot study of 50 samples, 296 passengers were selected with convenience-sampling method. A self-administrated questionnaire were employed to collect data. To analyze data, confirmatory factor analysis (CFA), Pearson correlation and structural equation modeling (SEM) were used. Findings show that satisfaction, loyalty, perceived value, service quality, and trust have a significant impact on WOM. Further, WOM has influenced subjective norms, attitude towards company, and referral intention. Additionally, attitude towards company had a significant impact on referral intention. However, there was not found significant relationship between subjective norms and referral intention.

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1. Introduction

The dynamics of social contagion, in particular of opinion spreading on a population, has been studied in many contexts, with many different approaches and diverse applications in social sciences, experimental psychology,

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consumer research, finance. The significance of word-of-mouth (WOM) information and rumor diffusion through social networks has been widely recognized as fundamental in all these contexts. The leverage effect of WOM information on consumer behavior, for example, improves the effectiveness of communication activities of a firm. WOM effects cannot be ignored as a powerful marketing tool, especially in the case of new product/service introductions, when the aim is to reduce the probability of a post-launch failure (Ellero et al., 2009). WOM is communication about products and services between people who are perceived to be independent of the company providing the product or service, in a medium perceived to be independent of the company. These communications can be conversations, or just one-way testimonials. But the essential element is that they are from or among people who are perceived to have little commercial vested interest in persuading someone else to use the product and therefore no particular incentive to distort the truth in favor of the product or service (Silverman, 2001, p. 25). Existing studies on WOM have looked at both the antecedents of WOM (in terms of motivations to give WOM) and the consequences of WOM (in terms of WOM's influence on consumer behaviors). This research seeks to further add to the literature on the drivers and outcomes of WOM in Airlines.

2. Literature review and hypotheses development

Much research has also indicated that WOM boosts the sales in industries ranging from professional services (Smith & Meyer, 1980), movies (Liu, 2006), automobiles (Swan & Oliver, 1989) and vacation/travel destinations (Ho & Chung, 2007). Empirical studies have demonstrated that service quality is a relevant predictor of WOM (Bloemer et al. 1999; Harrison-Walker 2001). A positive relationship presented in these studies demonstrates that the higher (lower) the perceived quality, the higher (lower) the WOM activity of the customers. Based on this discussion, we propose:

H1. Service quality has a significant positive effect on WOM about airlines.

Trust has an important effect on behavioral constructs, especially on the customer's propensity to leave or stay with the same service provider (Singh & Sirdeshmukh, 2000). Indeed, empirical findings have shown that higher levels of trust are associated with a greater tendency to offer favorable WOM (Ranaweera & Prabhu, 2003). Another possible reason for the influence of trust on WOM is an indirect effect through satisfaction. Trust creates benefits for customers such as lower anxiety, uncertainty, and vulnerability about the transaction. These benefits influence satisfaction, which in turn affects WOM, especially in a service context that is relatively more complex (Hennig-Thurau et al., 2002). Based on this discussion, we propose:

H2. Trust has a significant positive effect on WOM about airlines.

Hartline and Jones (1996) proposed that perceived value also has an influence on customers' behavioral intentions, especially on WOM. One explanation is that customers who perceive that they receive relatively high value tend to become more committed to the organization and seek to recommend others of the reference group to become loyal to the same organization (McKee et al. 2006). Also, perceived value might have an influence on WOM because it is a more tangible signal in the service encounter since it includes price in the "give" component, and price can be considered a more extrinsic and tangible attribute when compared to other cues used to infer service quality by customers, such as competence and responsiveness of employees (Hartline & Jones 1996). Based on the above rationale, we propose:

H3. Perceived value has a significant positive effect on WOM about airlines.

A recent study has questioned this "cocktail approach" in which loyalty is measured by an aggregated mix of items that form different components of loyalty (Söderlund, 2006). Söderlund (2006) states that this approach is commonly used to include repatronage intentions and WOM intentions as items of a unidimensional loyalty construct. Loyalty is hypothesized as an antecedent of WOM because to the extent customers are more loyal to a given provider, they are also more likely to (1) give positive recommendations of the company to the individuals in their reference group (friends and relatives), (2) have greater motivation for processing new information about the company, and (3) have stronger resistance to being persuaded by contrary information (Dick & Basu, 1994, p. 107). Based on this rationale, we propose:

H4. Loyalty has a significant positive effect on WOM about airlines.

The level of customer satisfaction has an influence on two purchase behaviors, namely, repurchase intentions and WOM (Richins, 1983). Specifically, the likelihood of customers spreading WOM will depend on their satisfaction

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