



Impacts of decision-making biases on eWOM retrust and risk-reducing strategies



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ABSTRACT

This study examined the role of decision-making biases (i.e., inertia, overconfidence, illusion of control) in consumer retrust in electronic word of mouth (eWOM) recommendations and the risk-reducing strategies of consumers. An online survey was conducted. Of the 592 questionnaires collected, 567 responses were suitable for analysis. The response rate was 95.78%. This study revealed that inertia and overconfidence biases affect retrust in word-of-mouth recommendations. In addition, consumers with a stronger illusion of control bias place less trust in eWOM after having a negative experience. Furthermore, the results indicated that the associations between risk-reducing strategies and retrust in eWOM differ. On the theoretical level, this paper provides an understanding of the effects of inertia, overconfidence, and the illusion of control on eWOM retrust. In addition, this paper fills a gap in the literature, thus advancing knowledge on how and why consumers retrust eWOM. The results of the current study provide useful knowledge enabling firms to understand decision-making biases and, thus, manage relationships with potential customers and improve the quality of their products and services. For example, relying on an eWOM Web site image was determined to be the primary risk-reducing strategy in re-trusting eWOM. Firms should continually track the flow of eWOM on eWOM-posting Web sites.

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1. Introduction

Word-of-mouth (WOM) communication conveying unofficial information on products, brands, and services has been a valuable reference for consumers in deciding whether a product meets their needs (Arndt, 1967). WOM information has enabled consumers to reduce uncertainty in the process of making a purchasing decision (Koller & Salzberger, 2007). Because the Internet is a vital information source and e-commerce medium, online electronic word of mouth (eWOM) on discussion boards, blogs, instant messaging platforms, e-mail, and other social media is a valuable reference for consumers making purchasing decisions (Blackwell, Miniard, & Engel, 2006; Cheung, Lee, & Rabjohn, 2008; Henning-Thurau, Gwinner, Walsh, & Gremler, 2004; Nielsen, 2012). eWOM enables consumers to evaluate alternatives and reduce uncertainty in the decision-making process. This trend reduces time and space constraints, enabling WOM recommendations to spread faster, farther, and more efficiently (Hsu & Liu, 2009).

However, eWOM entails several risks. On the Internet, because consumers and eWOM authors seldom meet, consumers are often

unsure about the reliability and truthfulness of eWOM. eWOM authors may exaggerate the product quality and efficiency; evaluate the product based on their personal experience, expectations, and needs; be paid to positively review the product; or deceive others with malicious intent. In other words, consumers bear risks when relying on eWOM to make purchasing decisions. Because eWOM substantially influences the purchasing decisions of consumers, its effects have been discussed widely in previous research (e.g., Gefen, Karahanna, & Straub, 2003; Hsu & Liu, 2009; Jones, Ailken, & Boush, 2009; Kozinets, Valck, Wojnicki, & Wilner, 2010; Riegner, 2007; Verhagen, Nauta, & Feldberg, 2013; Ye, Law, Gu, & Chen, 2011). The majority of relevant research has focused on consumer motives for searching eWOM, the credibility of eWOM, and how eWOM affects consumer behaviors. However, research on consumer retrust in eWOM is limited. How and why consumers repeatedly trust eWOM even after undergoing a negative eWOM experience remains underexplored.

Traditionally, when a consumer is deceived or has a negative purchasing experience (e.g., the consumer receives products that differ from the products that the eWOM recommended, purchases products that do not meet expectations, or is deceived by eWOM), he or she generates negative attitudes toward the brand and no longer places trust in it. Nevertheless, although some WOM is fabricated, eWOM recommendations are an essential reference for

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consumers making purchasing decisions (Nielsen, 2012). Whether the mindset of consumers in the information era differs from that in previous times remains undetermined. Study of consumer behavior has indicated that the behavioral judgments of consumers can be affected by cognitive decision-making biases (Astebro, Jeffrey, & Adomdza, 2007; Guo, 2008; Mazursky & Ganzach, 1998; Messner & Vosgerau, 2010). Whether the decision-making biases of users influence their reactions and thoughts toward eWOM is still uncertain. This study filled the gap by examining the effects of consumer decision-making biases on retrust in eWOM.

This research makes several contributions to current marketing literature. First, although the effect of trust on eWOM has recently received attention (Gefen et al., 2003; Hsu & Liu, 2009; Jones et al., 2009; Kozinets et al., 2010; Riegner, 2007), relevant studies have not addressed eWOM retrust in the context of cognitive decision-making biases. This study increased the knowledge regarding the role of decision-making biases in eWOM. Specifically, this paper reports the results of evaluating the effects of three of the most crucial decision-making biases addressed in previous studies: the illusion of control, inertia, and overconfidence biases. Second, previous studies have identified strategies for reducing risks involved in e-commerce. However, researchers have rarely investigated eWOM risk-reducing strategies. Therefore, the following questions remain: What strategies do consumers adopt to reduce risks involved in re-trusting eWOM? Is one strategy used more often than other strategies to re-trust eWOM? Addressing these questions can help researchers and practitioners guide the development of marketing plans. In summary, the purposes of this research were to (a) investigate how the three aforementioned biases affect the critical decisions of eWOM users in avoiding risks and re-trusting eWOM; (b) determine which eWOM risk-reducing strategies are adopted by consumers who hold different biases; and (c) examine the relationships between eWOM re-trust and risk-reducing strategies.

The following section provides a theoretical background on decision-making biases, risk-reducing strategies, and trust, and proposes the hypotheses of this study. The final section presents a discussion on the theoretical and practical implications of the findings.

2. Literature review and research hypotheses

2.1. Retrust

Various researchers (Ba & Pavlou, 2002; Gefen, 2000; Mayer, Davis, & Schoorman, 1995, p.712) have defined trust as the willingness of a party to believe that the other party will perform actions that conform to expectations based on past interactions. May, Davis, and Schoorman (1995) proposed that the perceived ability, benevolence, and integrity of another party leads to trust. In other words, when eWOM contributes to a consumer's well-being (perceived ability), is believed to positively affect the consumer (perceived benevolence), and adheres to acceptable values (perceived integrity), the consumer tends to trust eWOM. Trust is the core of interpersonal relationships (Gefen, 2000). In the physical world, where people communicate face to face and socialize, the relationship between buyers and sellers relies heavily on trust. Even when transactions are conducted on the Internet, trust remains the key determinant of successful transactions (McKnight & Chervany, 2001–2002; Gefen, 2000). Trust is also the core of eWOM communication, which provides consumers with opportunities to gather product information and review evaluations online (Schlosser, 2007). Gefen (2000) and Henning-Thurau et al. (2004) determined that consumer trust toward eWOM is derived from actual experiences, and that whether consumers know the authors of eWOM

is irrelevant. However, when consumers are able to interact with eWOM authors during the transaction, they become more interested in the product and, thus, develop a preference, increasing the consumer's trust in eWOM (Henning-Thurau et al., 2004).

Trust plays a crucial role in developing customer loyalty (Kumar, 1996) and establishing strong and lengthy relationships between brands and their customers (Santos & Fernandes, 2007). Generally, when customers are deceived or have negative purchasing experiences, they generate negative attitudes toward the brand and no longer trust in the brand. These customers may turn to alternatives to fulfill their needs and desires. However, consumers who encounter misleading eWOM or find that a product does not perform in the manner in which the eWOM promises that it performs may develop negative attitudes toward eWOM and distrust eWOM. They may turn to reliable and accountable information sources for decision making, such as consumer reports and magazines. Nevertheless, consumers still rely on eWOM as an essential reference in making purchasing decisions (Nielsen, 2012). Why do consumers re-trust eWOM?

Few studies have investigated why consumers who have had negative eWOM experiences and distrust eWOM re-trust eWOM. Retrusting eWOM after a negative outcome involves trust repair. Scholars in the fields of organizational management (Gillespie & Dietz, 2009; Lewicki, McAllister, & Bies, 1998; Mayer et al., 1995; Tomlinson & Mayers, 2009) and marketing (Sirdeshmukh, Singh, & Sabol, 2002; Xie & Peng, 2009) have examined the damage of trust and process of trust repair. After an adverse event, re-trust usually involves a feedback loop. The trustor may take risks in re-trusting the trustee; however, the trustor assesses the outcomes of risk taking. Positive outcomes reinforce trustworthiness and incrementally strengthen trust. The trustor reevaluates the trustee's ability, benevolence, and integrity, and positive assessment may scale back to the three factors of trustworthiness and a lowered level of trust may be restored. Over time, if the feedback loop beginning from the outcome of risk taking and returning to perceived ability, benevolence, and integrity remains benign, then trust can be repaired (Mayer et al., 1995). In the context of this study, re-trust is defined as restoration of the willingness of a person to believe that eWOM is reliable and accountable. After a negative outcome, a consumer's trust in eWOM can be repaired when the declined ability, benevolence, and integrity of eWOM authors can be increased. Because eWOM is written by numerous anonymous authors, consumers do not know whether the eWOM that they want to risk trusting was written by an author that broke their trust previously. The perception of ability, benevolence, and integrity seems difficult to attribute to one trustee or some trustees. Further examination of re-trust in eWOM is required to develop an understanding of consumers' cognition involved in re-trusting eWOM. This paper proposes that three decision-making biases are accurate predictors of re-trust in eWOM.

2.2. Decision-making biases

The illusion of control, inertia, and overconfidence are three of the most robust decision-making biases that affect the behavioral judgment of consumers in various contexts and have been examined extensively in previous research. However, relevant studies have rarely analyzed the role of biases in the context of eWOM. The results of previous studies on these three biases may provide a relevant explanation of eWOM re-trust. This study focused on these three common and robust biases to explore how they distort and manipulate consumer responses to the trustworthiness of eWOM.

2.2.1. Inertia

Inertia refers to resistance to change (Messner & Vosgerau, 2010). In marketing research, such persistence may create favor-

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