



The impact of electronic word-of-mouth communication: A literature analysis and integrative model

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ABSTRACT

The notion of electronic word-of-mouth (eWOM) communication has received considerable attention in both business and academic communities. Numerous studies have been conducted to examine the effectiveness of eWOM communication. The scope of published studies on the impact of eWOM communication is large and fragmented and little effort has been made to integrate the findings of prior studies and evaluate the status of the research in this area. In this study, we conducted a systematic review of eWOM research. Building upon our literature analysis, we used the social communication framework to summarize and classify prior eWOM studies. We further identified key factors related to the major elements of the social communication literature and built an integrative framework explaining the impact of eWOM communication on consumer behavior. We believe that the framework will provide an important foundation for future eWOM research work.

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1. Introduction

The rise of new media channels during the last few years has offered fertile ground for electronic word-of-mouth (eWOM) communication. More and more consumers use Web 2.0 tools (e.g., online discussion forums, consumer review sites, weblogs, social network sites, etc.) to communicate their opinions and exchange product information [36]. This new form of word-of-mouth (WOM) communication can contain positive or negative statements made by potential, actual, and former customers about a product or a company via the Internet [40].

Industry research reports have shown that when making purchase decisions, Internet users trust online reviews posted by unknown consumers more than they trust traditional media [63]. In addition, user-generated content in the form of online customer reviews was found to significantly influence consumer purchasing decisions [12]. 91% of respondents mentioned that they consult online reviews, blogs, and other user-generated content before purchasing a new product/service, 46% of which are then influenced in the way they to purchase. Froster [33] predicted that over 50% of total retail sales will be affected by web (e.g., online reviews) by 2014.

eWOM has undoubtedly been a powerful marketing force. In recent years, we witnessed an explosion of literature focusing on the effectiveness of eWOM communication [22,29,53]. However, the scope of published studies on the impact of eWOM communication is large and fragmented. It is difficult to draw meaningful conclusions from these studies. In addition, researchers have adopted various research approaches for investigating the eWOM phenomenon, and little has been done to integrate the findings of prior studies [18,19]. According to our review of prior research work, studies on the impact of eWOM communication can be classified into two levels: market-level analysis and individual-level analysis [55]. At the market-level analysis, researchers focused on market-level parameters (e.g., product sales). This line of investigation used objective panel data (e.g., the rate and the valence of consumer reviews) extracted from the websites or online product review platforms to examine the impact of eWOM messages on product sales [14,20,22,24,27,29,79]. At the individual-level analysis, researchers postulated eWOM as a process of personal influence, in which communications between a communicator (sender) and a receiver can influence consumer purchase decision [21,65,78].

In this study, we first identified individual-level eWOM studies and summarized their corresponding theoretical foundations. We then presented the social communication framework and classified key factors of eWOM communication. We further proposed an integrative framework of the impact of eWOM communication on online consumer behavior, and presented propositions concerning the relationships among the key elements of social communication.

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The paper is structured as follows. First, we define eWOM communication and compare the concept with traditional WOM communication. Second, we describe the research procedures and present a quantitative summary of prior eWOM communication research. Third, we present the results of paper classification based on the social communication literature. Finally, we propose an integrative framework of the impact of eWOM communication and present a set of propositions. We then conclude the paper by discussing the implications of the research framework for further theoretical and empirical investigations.

2. Electronic word-of-mouth communication

The power of interpersonal influence through word-of-mouth communication has been well recognized in the consumer literature [2,41,52]. Prior studies have found that consumers perceive WOM as more trustworthy and persuasive than traditional media, such as print ads, personal selling, and radio and TV advertising. The influence on purchase decision through WOM communication was further extended with the advent of the Internet, which extended eWOM communication to various additional virtual settings. On the internet, consumers can post their opinions, comments and reviews of products on weblogs (e.g. xanga.com), discussion forums (e.g. zapak.com), review websites (e.g. Epinions.com), e-bulletin board systems, newsgroups, and social networking sites (e.g. facebook.com) [17].

While eWOM communication has some characteristics in common with traditional WOM communication, it is different from traditional WOM in several dimensions. These dimensions all contribute to the uniqueness of eWOM communication. First, unlike traditional WOM, eWOM communications possess unprecedented scalability and speed of diffusion. As with traditional WOM, sharing of information is between small groups of individuals in synchronous mode [3,26,58,74]. Information in traditional WOM is usually exchanged in private conversations or dialogs. It is therefore rather difficult to pass along the information to any individual who is not present when and where the information is exchanged. In contrast, eWOM communications involve multi-way exchanges of information in asynchronous mode [47]. Information in the form of eWOM does not need to be exchanged at the same time when all communicators are present [35,50]. For instance, users of forums are able to read and post comments after the “threads” are created, not necessary at the time when the threads are being created. Second, unlike traditional WOM, eWOM communications are more persistent and accessible. Most of the text-based information presented on the Internet is archived and thus would be made available for an indefinite period of time [40,47,56,64,67,70]. Third, eWOM communications are more measurable than traditional WOM [56,65]. The presentation format, quantity, and persistence of eWOM communications have made them more observable. Word-of-mouth information available online is far more voluminous in quantity compared to information obtained from traditional contacts in the offline world [13]. In other words, researchers can easily retrieve a large number of eWOM messages online and analyze their characteristics such as the number of sentimental words used, position of the messages, style of messages, and the like. A final key difference is that traditional WOM emanates from a sender who is known to the receiver of the information, thereby the credibility of the communicator and the message is known to the receiver.

3. Literature identification and analysis

A two-stage process was used in searching the available articles – article identification and article analysis. Before the synthesis of findings in various studies could be done, relevant studies first need to be identified. This research study involved collecting academic and peer reviewed journal articles that addressed impacts of

electronic word-of-mouth (eWOM). We used two methods to identify relevant papers. First, we conducted a systematic electronic search using a number of index databases, which were: Academic Search Premier (EBSCO), ABI/INFORM Global (ProQuest), Social Science Citation Index (SSCI), Science Citation Index (SCI), PsycINFO, CSA Illumina, Education Resources Center, and Emerald. The research team did the search based on keywords including “electronic word-of-mouth”, “ewom”, “online reviews”, “online recommendations”, “marketing buzz”, and “online consumer reviews”. Second, we reviewed four MIS journals (*Decision Support Systems*, *Information Systems Research*, *Journal of Management Information Systems*, and *Management Information Systems Quarterly*) and three Marketing journals (*Journal of Consumer Research*, *Journal of Marketing*, and *Journal of Marketing Research*) manually to ensure that no major eWOM articles were ignored.

Following the guidelines of the conventional systematic review methodology [75], inclusion and exclusion criteria were applied to the initial set of articles. These were done to ensure that the sample of articles used for analysis was appropriate for the current research. The inclusion criteria was the following: (1) publication was academic and peer reviewed in nature; (2) eWOM was the main focus of investigation in the paper; (3) researchers had a defined sample; (4) publication that addressed impacts of electronic word-of-mouth (eWOM); and (5) publication dealt with investigation of eWOM in business-to-consumer settings. The exclusion criteria were applied to: (1) papers with an entirely conceptual or theoretical background and no research design; and (2) publications that dealt with the investigation of eWOM in the form of a recommendation agent (system agent). At the article analysis stage, two authors independently reviewed and eliminated articles that were not pertinent to the current focus.

A total of 47 eWOM communication articles published between 2000 and 2010 were identified. Research on the impact of eWOM communication can be classified into market-level analysis and individual-level analysis [55]. In this review, 47% (22 out of 47 articles) of the articles adopted the market-level approach, while 53% (25 out of 47 articles) focused on the individual-level analysis (see Fig. 1). As a number of researchers have already conducted a review on prior studies of market-level eWOM communication [25,44,79], we only focused on individual-level eWOM studies in the current analysis.

4. Review of study findings

4.1. Types of eWOM

The popularity of Web 2.0 has empowered consumers to influence others through a variety of platforms to post user-generated content (UGC) tools (e.g., blogs, microblogs, forums, chat rooms, and social networking sites). Our literature review showed that a majority of eWOM studies focused on online consumer reviews made on e-commerce websites, discussion forums or rating sites (see Table 1). Other forms of eWOM have received far less attention

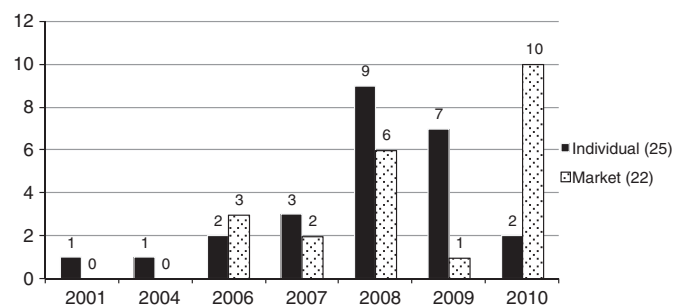


Fig. 1. Timeline of eWOM publication: market vs. individual.

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