Chapter 15

Impact of Online Reviews on Purchasing Decisions: An Empirical Study among Indian Academicians

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ABSTRACT

Internet has enabled today’s consumer to transform himself from passive to an active and an informed consumer who can share his experiences, opinions about product or services with an infinite number of consumers around the globe. These reviews or opinions are further used by potential buyers of that particular product or service via electronic Word of Mouth (e-WOM). The study on the impact of e-WOM on online sales has gradually emerged but a number of questions still remain unanswered. The aim of this study is to assess the impact of one type of e-WOM i.e., the online consumer reviews, on purchasing decisions of electronic products. This empirical study also focuses on the relationship between reviews and purchasing behaviour. An instrument was prepared to measure the proposed constructs, with questionnaire items taken from prior studies but adapted to fit the context of e-commerce. The survey was applied to academicians in India through internet. The results show that consumer reviews have a causal impact on consumer purchasing behaviour and they have an effect on choosing the products by consumer. Finally, the results and their implications are discussed.

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INTRODUCTION

The primary source of information about any product is the internet. In this digitized world, most of the consumers have opted for it and it has drastically impacted their buying behaviour. With the introduction of the electronic platform like the internet, the information has not remained the puppet of the media of large conglomerate business houses. In the past the consumer was always less informed because of the limited source of information but because of digitization and online shopping the consumer has been able to transform himself from a passive consumer to an active and an informed consumer. Potential customers always tend to buy those products about which an existing data of its use, quality and other details are available from other consumers who have already bought and used the product. In traditional times people used to ask a person about a product and its reputation in the market and on that basis made their decisions of either buying the product or not. This was the first developed concept of the so called Traditional Word of Mouth. But today’s world lives in the era of digitization where people neither have the time nor do they want to put in an effort to ask people the required information on their demand. In order to increase the sale of any product the sellers offering their products to be sold via internet have developed a free marketing tool and have given its control in the hand of the consumers. The word of mouth is not a modern concept as stated earlier. But in the age of digitization people have started to understand its meaning and importance and this concept being given a new name for and by generation X that is Electronic Word of Mouth (e-WOM). The e-wom is network user’s information exchange and discussions on some products or services by the network media. In simple words e-wom could be defined as all kinds of informal communications present for the potential consumers by the previous consumers through Internet-based technology related to the usage of particular goods and services, or their sellers. Review of a product plays a vital role in the sale of a product. If a consumer finds that a product he is about to buy is as per the specification and his expectation, he gains confidence but if buys the opposite and finds a negative review he might not only lose the confidence in that product but also won’t buy the product for himself and would also not let others buy it by using his word of mouth. Not surprisingly, several firms are becoming interested in leveraging this phenomenon, proactively and trying to induce consumers to ‘spread the word’ about their products online (Godes, 2005). There is very little known data to know how certain types of e-WOM, such as numerical ratings or online text reviews, affect purchasing decisions, and by how much. The study adds to the knowledge pool of marketers by making them aware of the possible attitudes and behaviour of the consumer, which marketers can use to better segment and target them.

Review of Literature

(Yali, 2010) showed that consumer reviews had only a causal impact on consumer purchasing behaviour and they also had an effect on choosing the products by the consumer. Park (2009) showed that the type of reviews can be a key to explain the inconsistent relationship between consumer expertise and WOM in previous researches. They examined the type of reviews that cognitively fitted consumers with a high (low) level of expertise. Using the elaboration likelihood model (ELM), they also investigated the effects of the type of reviews and the number of reviews. They showed that the effect of cognitive fit (the type of reviews) on purchase intention was stronger for experts than for novices while the effect of the number of reviews on purchase intention was stronger for novices than experts. Park D. H.(2007) found that the quality of on-line reviews has a positive effect on consumers’ purchasing intention, purchasing inten-