Chapter 14

Electronic Word of Mouth Marketing: Relationship between Brand Loyalty and Electronic Word of Mouth in Social Marketing Networks

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ABSTRACT

Social networks as new form of popular and widely used communities (especially among Iranians) are considered as places to talk about brands and sharing comments, experiences, interests and help users to play more prominent role in their own and others informed choices. Purpose of this chapter is to find a logical relationship between brand loyalty on one hand, and participating in eWOM and individuals’ identification through specific brands (Adidas in present chapter) on the other. Research results show a significant and positive correlation between brand loyalty, participating in eWOM and brand identification among consumers. Model presented in this chapter explains the same process. Regarding objective methodology and data collection method, this is an applied descriptive and surveying study. We used Regression approach and SPSS software to test hypotheses.

INTRODUCTION

According to the study results in the field of marketing and advertising, the traditional word of mouth marketing (WoM) is a powerful factor in shaping the consumers’ attitudes and behaviors and has a much stronger effect than media advertising on consumer acceptance of the goods. In the past, the WoM was happening within a very limited and usually friendly environment in a face to face situation, including an informational source and a receiver or audience. In fact, the WoM faced with two major limitations:

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1. Location 2. Time. However, the emergence and development of Internet as a virtual space has provided a new context for trading and business activities, both for consumers and manufacturers. Virtual community participation and User Generated Content (UGC) are the prevailing social activities in virtual spaces. Along with such trends, word-of-mouth (WOM) transactions have also increased dramatically. Moore (2003) investigated the branding influence based on the word-of-mouth marketing environment. In the case of Microsoft, the number of Microsoft’s Hotmail users increases rapidly by utilizing the contacts of each user. Although Microsoft spent only a small budget on marketing, its membership grew by 12 million in 18 months. Leskovec et al. (2006) proposed a model to investigate user behaviors in a large community and identified the growth and effectiveness of the social network. Richardson and Domingos (2002) utilized a probabilistic model to analyze the probability of a customer’s purchasing that is strongly dependent on whether his/her friends also have purchased the same product. However, they did not focus on identifying the influencers in a customer social network to induce the potential customers with business opportunities. Several works on word-of-mouth marketing are based on social networks. Li et al. (2010) argued However, most of them focus on the observation of business situations or on the calculation of social network spreading. It is hard to acquire a practical model that can be easily and effectively applied to business strategy development.

In presence of social networks brand owners can access the largest number of their customers (actual and potential) and users are able to more actively contribute in this area and express their opinions, experiences and interests by participating in eWoM. In other words, they would be able to play a more prominent role in their own and others conscious selection. As one commentator writes: Instead of endangering millions of dollars for extensive marketing, the companies can strive as active companies on the Internet to draw the attention of millions of viewers and audiences with minimum costs through developing Web-based strategies such as making blogs and eWoM (Cheung & Thadani 2012).

On the other hand, generalization of social networks such as Meet Up, Facebook, My space and Twitter in recent years and their impact on WoM has led to the increasing importance of this issue and provided an appropriate ground to investigate this topic in different parts of the world and among different cultures.

**LITERATURE REVIEW**

Rise of social networking and globalization of economic activities, lead us to design new models of eWoM. Several studies have been conducted in the field of electronic word of mouth and loyalty but so far there has not been a coherent research on the impact of e-loyalty on eWoM through social networks. Research in this area can be totally divided into three main categories:

1. Researches on eWoM, role of social networks and its influential factors.
2. Researches on e-loyalty, role of social networks and its influential factors
3. Interaction between loyalty and word of mouth.

**Research on Electronic Word of Mouth, Role of Social Networks, and Its Influential Factors**

Social networks as new forms of popular and widely used communities, (especially among Iranians) are considered as a place to exchange personal ideas, interests and preferences with friends also brand