Influences of Online Negative Word of Mouth on Purchase Intention

Yi-Fen Chen, Department of International Business, Chung Yuan Christian University, Taoyuan City, Taiwan
Chia-Wen Tsai, Department of Information Management, Ming Chuan University, Taipei, Taiwan
Yi-Che Chaung, Department of International Business, Chung Yuan Christian University, Taoyuan City, Taiwan

ABSTRACT
This study presents two experiments that examine the influence of electronic negative word of mouth (e-NWOM). Experiment 1 investigated perceived credibility based on 2 (product awareness: high / low) × 2 (strength of WOM: high / low) × 2 (product type: search good / experience good). Experiment 2 investigated purchase intention based on 2 (product utility: high / low). The experiments involved 530 people from Taiwan. The results indicated that high product awareness and weak e-WOM have less influence on consumer perceived credibility of the e-WOM. E-NWOM for a search good has less influence on consumer perceived credibility than for an experience good. The results also indicated that high utility of products increase sales.

KEYWORDS
Electronic Negative Word of Mouth (e-NWOM), Perceived Credibility, Product Utility, Purchase Intention

1. INTRODUCTION

Word of mouth (WOM) spread through the Internet is called electronic word of mouth (e-WOM). E-WOM, which consists of consumers’ comments and observations about the attributes and performance of a product or brand, is typically posted on a variety of social platforms (e.g., Facebook, blogs, and forums) and spreads rapidly. Compared to advertising, e-WOM is more persuasive (Lee et al., 2008) and has greater influence on consumers’ purchasing decisions. Internet marketing has gradually changed (Baek et al., 2013).

Modern customers are not passive bystanders purchasing products that a company provides (Alimamy, Deans & Gnoth, 2018). Research has shown that the consumer perceived credibility of e-WOM affects the degree of consumer acceptance of it, thereby affecting consumers’ attitudes and behavior (Van Hoye and Lievens, 2007). Other studies have shown that the type of product affects consumer perceived credibility of e-WOM for the product (Lee and Shin, 2014). Consumers make purchase decisions based on a product’s economic utility relative to its perceived value (i.e., what the consumer is willing to pay for it) (Foxall, 1999). Previous research (Gelb and Sundaram, 2002; Lee and Shin, 2014; Van Hoye and Lievens, 2007) analyzed e-WOM in general. This study proposes three variables related to e-WOM: product awareness, strength of WOM, and product type.

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E-WOM varies widely in terms of product awareness and strength. Some people write brief
descriptions of products; some people write long, detailed assessments of products. The strength
of WOM affects customer views of e-NWOM. Nelson (1970) classified products into two types:
experience goods and search goods. The effect of e-WOM differs for these two types. Perhaps the
effect of e-NWOM also differs. Finally, this study analyzes the relationship between product utility
and purchase intention.

2. LITERATURE REVIEW

2.1. Word of Mouth

Arndt (1967) defined WOM as communication from person to person of knowledge about a brand,
product, or service. Swan and Oliver (1989) defined WOM as people telling other people about a
particular product or service. WOM can be classified as positive WOM (PWOM), in which people
praise the item, and negative WOM (NWOM), in which people who are dissatisfied with a purchase
complain about it (Singh, 1990).

Gelb and Sundaram (2002) and Hennig-Thurau et al. (2004) considered consumers who actively
participate in online message boards, chat rooms, and other electronic social media for noncommercial
purposes such as sharing experiences, knowledge, and opinions about specific topics and gathering
information about products and specific topics. E-WOM is propagation behavior in consumers’ online
interactions with one another.

2.2. Perceived Credibility of WOM

Credibility is the recipient’s ability to believe the content of a message. Research in social psychology
has shown that perceived credibility is an important factor in the persuasiveness of communication.
The recipient judgment, or perception, of the disseminator’s credibility is a significant aspect of
credibility’s effect on persuasiveness, because credibility is a basic component of trust (Stiff, 1994).

People who disseminate WOM want to make the recipient to trust the WOM. They want their
WOM to have credibility (Smith et al., 2005). Perceived credibility of an e-WOM item can be
measured based on whether the recipient believes it (Lim and Van Der Heide, 2015). Chang and Wu
(2014) showed that the extent to which people believe e-NWOM is influenced by product awareness.

2.3. Product Awareness

Aaker (2004) found that a brand represents more than one product. A strong brand can set product
awareness in the memory of a consumer. That is, consumers can correctly recall the brand’s name
(Keller, 1993; Yoo and Donthu, 2001). Furthermore, Keller (1993) pointed out that product awareness
enables consumers’ confidence in the product, thereby influencing consumers’ perceived value of
the product. Van Hemelen et al. (2013) showed that awareness affects consumer perceived credibility of
e-WOM. In addition, Chang and Wu (2014) found that people do not believe e-NWOM when their
product awareness is very high. Given this background, this study proposes the following hypothesis:

H1: Under e-NWOM, product awareness has a negative impact on perceived credibility.

2.4. Strength of WOM

Kempf and Palan (2006) segmented WOM into strong WOM and weak WOM: WOM from a consumer
or an expert is strong WOM; WOM from a salesperson or someone with commercial connections
to the product or company is weak WOM. They found that strong WOM can enhance the reputation
of the recipient. It can easily evoke memories, which helps to make it distinctive and memorable for
the recipient.
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