How Dependent Are Consumers on Others When Making Their Shopping Decisions?

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ABSTRACT

Consumers now have a variety of shopping information sources online and offline in making purchase decisions. How has the Web changed the perceptions of consumers regarding the relative importance of different shopping information sources? Applying the attribution principle and the least effort principle, the authors hypothesize the relative importance of self-evaluation and three types of recommendations from others (word-of-mouth or WOM, expert opinion, and electronic WOM or eWOM). The data collected from 549 consumers show that the perceived importance of WOM remains equal to or even higher than that of self-evaluation for credence goods (product quality unknown even after purchase and use) and the so-called digital goods without Web access. However, the importance of self-evaluation increases when consumers have both Web access and non-Web sources of shopping information. The Web appears to make self-evaluation by consumers more important than inputs from others.

Keywords: Consumer Purchase Decision-Making, Covariation Principle, Electronic Commerce, Electronic Word-of-Mouth (Ewom), Search-Experience-Credence (SEC) Framework, Word-of-Mouth (WOM)

INTRODUCTION

Consumers now have a variety of shopping information sources, both online and offline, in making purchase decisions. However, several decision patterns are commonly seen when consumers engage in shopping decision deliberations. A common decision pattern is that consumers collect product and service information from various sources, including advertisements, product descriptions, testimonies by others, and expert opinions. Then they make their own integrated analysis to reach a decision. No single source dominates their decision outcome. Other patterns lean on external information sources. For example, consumers can be influenced heavily by advertisements, word-of-mouth (WOM) from someone they trust, or (mostly anonymous) online user reviews or electronic WOM (eWOM). They then
make a decision without much deliberation. In some cases, consumers place more trust in the recommendations of experts such as Consumer Reports and authors in well-recognized media. Yet in other instances, consumers buy a product impulsively at the moment, without any search, deliberation or thinking. We regard the first pattern of shopping decision-making as self-evaluation to differentiate it from the other types of shopping decision-making. In this paper, we focus on consumer dependency on others’ inputs in contrast to their own self-evaluation.

Consumers are frequently influenced by others. For example, WOM “is one of the most influential channels of communication in the marketplace” (Allsop, Bassett, & Hoskins, 2007). WOM is a major pattern for consumers to obtain shopping information because consumers have more trust in relatives and friends who provide such information (Sweeney, Soutar, & Mazzarol, 2008). Traditionally WOM is given face-to-face. Recently we have seen that WOM can be passed along through email and social networking websites like Twitter. A recent study from Keller Fay Group and OMD (KellerFay, 2008) reports that there are 3.5 billion online and offline WOM conversations daily in the U.S., and the traditional WOM accounts for 92% of them.

Another influence is eWOM. This includes product reviews, discussions, and comments posted by ordinary consumers on online retailer websites like Amazon.com and many other online forums (e.g., shoppingmallforum.com, forums.dealofday.com, fatwallet.com). According to a recent survey by Deloitte’s Consumer Products group, “almost two-thirds (62%) of consumers read consumer-written product reviews on the Internet. Of these, more than eight in 10 (82%) say their purchase decisions have been directly influenced by the reviews” (Anonymous, 2007). In addition to WOM and eWOM, expert opinion is another influential shopping information source that provides input and could influence or dominate the consumers’ shopping decision-making. In a traditional shopping environment, Consumer Reports magazine is one important source of expert opinion for consumers. In addition, numerous expert reviews are seen in blogs.

Given that the Web can make WOM, eWOM and expert opinion more readily available than before, do consumers rely more on others’ recommendations than on their own self-evaluation when making shopping decisions? Or do consumers rely more on self-evaluation than others’ given the advancement of Web search engines? We examine how these two possible trends play out by applying the co-variation principle (Kelley, 1967, 1973) and least effort principle (Zipf, 1949). Since these questions may depend on goods, we use the Search-Experience-Credence (SEC) framework (Darby & Karni, 1973; Nelson, 1970), which provides a classification schema for all products into search, experience, and credence good categories. Figure 1 shows our research model.

As we compare the perceived importance of self-evaluation and three types of recommendations from others (WOM, eWOM and expert opinion), it is important to stress that this study does not regard them as exclusive options. One decision may be based on a combination of self-evaluation (50%), WOM (35%), eWOM (5%) and expert opinion (10%). These numbers of “mind shares,” if you will, are difficult to estimate. Instead, the study will evaluate consumer perceptions of the relative importance of decision sources across different product categories. For example, how much more important do consumers regard their own decision-making over following a recommendation from someone they trust? If so, does this pattern differ across different product categories? There are few studies that compare the relative perceived importance of decision sources. While these perceptions do not necessarily predict each decision for every product, understanding the relative importance of different decision sources across product categories would shed more light on our understanding of Web impact on consumer psychology and decisions, a critical component for online advertising.

The remainder of the paper is as follows. We review previous studies, followed by hy-
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