THE IMPACT OF NEGATIVE ELECTRONIC WORD-OF-MOUTH ON CONSUMERS' PURCHASE INTENTION: A MOTIVATIONAL ANALYSIS IN THE MALAYSIAN CONTEXT

BY

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ABSTRACT

The impact of negative eWOM about certain products on consumers is remarkable. Interestingly, consumers seem to be affected by negative eWOM to perform an actual purchase. However, the question whether this negativity has specific motives and how much effect it has over consumers' purchase intention is what this study is trying to answer. By answering this question, this research would provide marketers with a clear understanding on what motivates consumers to spread negative eWOM as well as add to the body of literature of eWOM. This study tests empirically a model that incorporates both motives of negative eWOM and its impact on purchase intention. A questionnaire data was collected from 254 Malaysian consumers and structural equation modelling was used to test the research hypotheses. The results confirm that negative eWOM motives are mainly advice seeking, dissonance reduction and altruism while venting negative feelings proved to be ineffective motive. In addition, negative eWOM was found to have a significant impact on purchase intention. As a conclusion for this study, implications and further research were discussed.

خلاصة البحث

الكلام السيئ المتناقل بين العملاء عن المنتجات على الانترنت يؤثر على من يقرأه بشكل ملحوظ. والمثير للإهتمام،أن العملاء يظهر عليهم التأثر بهذه الظاهرة والتي تؤثر تأثيراً مباشراً على رغبة الشراء لديهم. ومع ذلك ، يكمن السؤال في ما إذا كانت لدى هذه السلبية المتناقلة حوافز معينة ، وهل هنالك أثراً لهذه السلبية على رغبة الشراء لدى العملاء ،وهذا هو ما تحاول هذه الدراسة أن تحققه. وعند معرفة إجابة هذا السؤال ،ستقوم هذه الدراسة بتزويد المسوقين بالمعرفة الواضحة للحوافز المؤثرة على من ينقل السلبية عن منتجاتهم على الإنترنت وكذلك ستساهم هذه الدراسة في زيادة المادة العلمية في هذا المجال . هذه الدراسة ستقوم بتدقيق شامل وجذري للتحقق من نموذج شامل يتضمن كلاً من الحوافز المؤثرة على تناقل السلبية على الإنترنت وكذلك أثرها المباشر على رغبة الشراء لدى المستهلكين . أداة هذه الدراسة عبارة عن إستبيان لعدد 254 مستهلك ماليزي والتي أُجري عليها التحليل بإستخدام نمذجة المعادلة الهيكلية لإختبار فرضية البحث. نتائج هذه الدراسة أكدت أن ما يحفز العملاء بشكل رئيسي لتناقل الكلام السلبي على الإنترنت هو عبارة عن: البحث عن النصيحة ، تقليل الشعور بالذنب بعد الشراء و كذلك الإيثار. بينما البوح عن المشاعر السلبية تجاه المنتجات لم يكن له أثر مهم . وبالإضافة إلى ذلك وجد أن الكلام السلبي على الإنترنت لديه أثر كبير على رغبة شراء العملاء للمنتجات . واخيراً تختتم هذه الدراسة بمناقشة بعض المعوقات التي واجهت الباحث وكذلك مناقشة فرص البحث المستقبلي.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Marketing.

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A.K.M. Ahasanul Haque
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I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Marketing.

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Dean, Kulliyyah of Economics
and Management Sciences

DECLARATION

I hereby declare that this dissertation is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Ahmed Mohammed Abdulqader Al malmi

Signature..   Date…………………………

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Affirmed by Ahmed Mohammed Abdulqader Almalmi

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Signature Date

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LIST OF ABBREVIATIONS

AMOS   Analysis of Moment Structure
ASV   Average Shared Variance
AVE   Average Variance extracted
CFA   Confirmatory factor Analysis
CFI   Comparative Fit Index
CR   Critical Ratio
EFA   Exploratory factor Analysis
eWOM   Electronic Word Of Mouth
MSV   Multiple Shared Variance
RMSEA   Root Mean Square Error of Approximation
SEM   Structural Equation Modeling
SPSS   Statistical Package for Social Science
WOM   Word Of Mouth

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Nowadays, the clutter of advertisement, the bulk of information, the huge promotional campaigns, and different prices of similar products made the consumer confused and less loyal (Schriver, 1997). Besides, people who intend to purchase a product, rely on other customers' word-of-mouth (Y.-M. Li, Lin, & Lai, 2010). Not only customers are trying to initiate WOM, but also marketers themselves are encouraging it to create a competitive edge for their companies (Sweeney, Soutar, & Mazzarol, 2008). That is because consumers consider searching for information from their relatives and friends more than they do search for it from the providers of the products (Gruen, Osmonbekov, & Czaplewski, 2006; Senecal & Nantel, 2004). Hence, WOM is one of the most trusted ways of communication since it involves people like family, friends and neighbours. It is inborn that people spread the word heard among them and that is why scholars have studied WOM constantly. In the past, WOM was traveling by asking people around in person, but now the internet has made it simpler for consumers to communicate and keep in touch with known people or anonymous individuals. Moreover, social media platforms such as, blogs, social media networks, and forums are all online mediums where people can share information (Chen, Fay, & Wang, 2011). People prefer social media because it is suitable, enjoyable, and interactive. Particularly, online communities are the most suitable for consumers to exchange information since it involves a medium where consumers can spread their word anonymously and articulate the message clearly to information seekers.

The internet has empowered consumers so that they can hear and be heard uncontrollably (Sussan, Gould, & Weisfeld-Spolter, 2006). Furthermore, the internet has simplified WOM communication and increased the number of potential customers (D. Strutton, Taylor, & Thompson, 2011). Further, Internet world stats have reported that the number of internet users has increased rapidly in the world, especially in Asia where about 44.8% of users exist. It is also reported that, there are 17,723,000 internet users out of the 29,179,952 population in Malaysia in 2012.

Table 2.1 the number of internet users in Malaysia

YEAR	Users	Population	% Pen.
2000	3,700,000	24,645,600	15.0 %
2005	10,040,000	26,500,699	37.9 %
2006	11,016,000	28,294,120	38.9 %
2007	13,528,200	28,294,120	47.8 %
2008	15,868,000	25,274,133	62.8 %
2009	16,902,600	25,715,819	65.7 %
2010	16,902,600	26,160,256	64.6 %
2012	17,723,000	29,179,952	60.7%

Therefore, no wonder that young generations favour using the internet more than watching TV (Moran, 2007). In general, with the evolvement of the internet WOM has changed to be called electronic word of mouth (eWOM) (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004). eWOM has even greater influence on consumers' purchase intentions, especially with all the special features that extinct it from traditional WOM.

On the other hand, both happy customers and unhappy customers share WOM (Arndt, 1967). In fact, unsatisfied customers spread their word of dissatisfaction more than satisfied customers do (Kotler, 1991). Negative WOM is proposed to have three times dispersion more than positive WOM (Hart, Heskett, & Sasser Jr, 1990). According to Bristor (1990), the consumer-generated WOM is more reliable and trustworthy to other consumers compared to marketer-generated WOM and this makes online comments initiated by customers very valuable. In spite of the idea that eWOM is not a face-to-face communication at all times, it is very crucial and reliable (Duan, Gu, & Whinston, 2008). In short, eWOM is a very important strategy to be considered for research since it provides companies with a very powerful marketing tool (Chu & Kim, 2011). This is why scholars have showed a great deal of interest in eWOM research.

1.2 PROBLEM STATEMENT

WOM is trusted because marketers do not initiate it; therefore, its impact on consumers is significant (Peter & Olson, 2002) as it has shown a huge change in customers' behaviours (Brown & Reingen, 1987), and it is nine-times more competent than the conventional media such as, the radio and TV (Day, 1971). In other words, eWOM travels faster than traditional WOM because of its ability to pass to a large number of consumers. Not only this, but eWOM can also be formulated from any source, unlike traditional WOM where only people who are known to consumers are listened to (Park & Lee, 2009). Moreover, prior to making purchases, customers have a habit of reading online reviews to look for feedback on whether they should or should not buy (Hu, et al., 2011). In addition to that, online communities offer a great deal of choice to share opinions on products such as social networking sites, blogs,

discussion forums and many others (Hennig-Thurau et al., 2004; Litvin, Goldsmith, & Pan, 2008). Besides, eWOM has some unique characteristics that make it so prevailing (Allsop, Bassett, & Hoskins, 2007) which concerns marketers since it is reported that negative eWOM is very harmful to products and companies especially when considering the fact that consumers are affected by what they read online, which shapes their decisions to purchase or accept a service (Chevalier & Mayzlin, 2003). According to Chan and Ngai (2011), marketers, who do not pay attention to the destructive motives of consumers' to engage in spreading negative eWOM, may expect certain consequences to occur if not dealt with in the right time:

- Loss of customers

- Loss of business

- Destroying well-known brands and distorting brand images.

Since the number of internet users is increasing in Malaysia, it is a vital issue to investigate why consumers post negative online comments to curb any harmful effect that might cause damage to Malaysian products or companies. In a survey that was conducted worldwide by Nielsen, Malaysian consumers formed 86 per cent of those who trusted WOM over other types of media. Therefore, it is deemed important to conduct such a research in Malaysian context since most of the studies on eWOM have been conducted in U.S. context (Chan & Ngai, 2011).

1.3 RESEARCH QUESTIONS

This study attempts to answer the following research questions:

1.3.1 What are the motives of negative eWOM?

1.3.2 What is the impact of negative eWOM on Malaysian consumers' purchase intention?

1.3.3 Does negative eWOM lead to less purchase intention?

1.3.4 What is the most significant motive of negative eWOM?

1.3.5 What are the most destructive motives to firms and products in Malaysia?

1.4 OBJECTIVE OF THE STUDY

1.4.1 General Objective of the Study

This research in general seeks to identify the motives of negative eWOM on virtual communities and examine the influence of negative eWOM on purchase intention in Malaysia.

1.4.2 Specific Objectives of the Study

This research has four specific objectives:

1. To analyse the effects of venting negative feelings, altruism, advice seeking and dissonance reduction on negative eWOM.

2. To develop and examine a structural model, which measures negative eWOM and identifies the significance of its motives.

3. To identify the key motives of consumers' engagement in negative eWOM.

4. To examine the effects of negative eWOM on consumers' purchase intention in Malaysia.

1.5 SIGNIFICANCE OF THE STUDY

Since the objectives of the study need to be addressed, this study would contribute to the literature from both academic and managerial perspectives. From theoretical side, this research will add to the body of knowledge on negative eWOM. In addition, this

study will propose and examine a structural model, which investigates the motives that provoke individuals to engage in negative eWOM. This research also inspects simultaneously in a structural model, the nature of relationships among several key constructs: venting negative feelings, altruism, dissonance reduction, advice seeking, negative eWOM, and purchase intention. Moreover, as most of negative eWOM studies were conducted in developed countries, this research will provide an alternative view for this concept in a developing country (i.e. Malaysia). Finally, one of the objectives of this study is to investigate if negative eWOM leads to less purchase intention, which contributes in this part obviously since the alternative hypothesis will be examined.

From a managerial side, this research will assist marketers in determining which motives of negative eWOM are harmful to their products. Furthermore, this research will direct marketers to gain an understanding on how consumers are affected by negative eWOM towards their products or services. It will also explain how venting negative feelings, altruism, dissonance reduction and advice seeking influence negative eWOM. By reaching this goal, marketers will have the ability to target specific negative eWOM motives for improvement, and develop specific strategies to cope up with such negativity. This in turn will increase the likelihood of positive customer attitudes towards the products and their intention to buy or use the service, and ultimately will retain their current customers and attract potential clients. Finally, this research would help marketers recognize the causes that make consumers' express their negative thoughts online about their products and lead to handle the issue cleverly.

1.6 CONCEPTUAL DEFINITIONS

Negative eWOM has been defined as communications that are triggered by consumers to describe products or consumption experiences negatively (Luo, 2009) while purchase intention as *"The likelihood that a consumer will buy a particular product resulting from the interaction of his or her need for it, attitude towards it and perceptions of it and of the company which produces it"* (Bradmore, 2010). Motives of negative eWOM are identified as follows. Venting negative feelings as feelings to revenge from the cause of undesirable consumption experiences (Dinesh S. Sundaram, Mitra, & Webster, 1998). Altruism is a driver that makes former consumers warn others from repeating the same mistake over and over again by purchasing a certain product or experiencing a service failure (Dinesh S. Sundaram et al., 1998); Dissonance reduction is lowering the level of stress felt after a product purchase or a consumption experience (Hennig-Thurau et al., 2004). Advice seeking is defined as acquiring advice from others on how to address problems and solve them (Hennig-Thurau et al., 2004; Dinesh S. Sundaram et al., 1998).

1.7 ORGANIZATION OF THESIS

This section presents the organisation of the thesis. This research includes five chapters, chapter one discusses the issues related to the topic under examination, it starts with an introduction of the topic, followed by the problem statement, research questions, research objectives and significance of the study.

Chapter two reviews the literature relevant to this research in three sections: the first section contains a review of traditional WOM and the integration of eWOM, its characteristics, capabilities and channels. The second section addresses the development of previous studies on eWOM. The third section presents an

investigation of negative eWOM and impact on purchase intention. The fourth section is considering a discussion about the motives of eWOM: venting negative feelings, altruism, advice seeking and dissonance reduction. The fifth section discusses the research gap and the proposed research model.

Chapter three covers the methodology used to empirically test the hypotheses developed based on the proposed research model. This methodology commences with research design, data collection and data analysis including Structural Equation Modelling (SEM). Chapter four presents the research findings as well as the analysis and interpretation of results. In chapter five, which is the final chapter, the results attained be will discussed as well as their implications for marketers and future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Many researchers have contributed to the literature regarding motives of eWOM and its effect on purchase intention. Particular devotion is specified in this chapter to eWOM, its negative motives and the negative side of it that is related to purchase intention. Section 2.2 reviews the relevant literature related to the concept of traditional WOM. Section 2.3 is focuses on the different characteristics, capabilities and channels of eWOM and the difference between the evolved eWOM and traditional WOM. Section 2.4 addresses the development of eWOM studies from different viewpoints. Section 2.5 discusses literature related to negative eWOM. Section 2.6 refers to purchase intention and its relationship with eWOM. Section 2.7 considers the motives that drive customer to engage in negative eWOM as the review concentrates on the most influential variables on negative eWOM. The discussion in this part is aimed to elaborate on these motives, the relationships between these factors and negative eWOM. Section 2.8 and 2.9 concentrates on the literature gaps, and the research model.

2.2 TRADITIONAL WOM

Word of mouth definition has changed over time. The first study that defined WOM as a face-to-face communication about consumed products, in which the message is free from commerciality intentions, was introduced by Arndt (1967). Another definition by Silverman (1997) addressed WOM as a talk about products that involves

people who whatsoever are purely communicating for the sake of helping each other and not for helping the company. It is also the way of communication that makes customers share marketing ideas, which have a great impact on altering their perceptions, attitudes and behaviours towards products (Chu & Kim, 2011). Previous definitions refer to WOM as a way of sharing knowledge about products and services among consumers.

WOM is the only dominant type of media (Keller, 2007) since the intention from WOM is all about products that have been used and consumed and whether they are liked or not to perform a decision about acquiring them in the future. Although WOM that is initiated by marketers tend to be influential on making consumers attracted to purchasing them, WOM is also the kind of medium that is more trusted by consumers more than the company-initiated advertising (Brown & Reingen, 1987; Day, 1971; Murray, 1991). One way to differentiate traditional media advertising from WOM is that WOM is interactive and it is communicative more than the normal advertising since it involves two kinds of people: the provider and the seeker of the information (Gilly, Graham, Wolfinbarger, & Yale, 1998). The importance of WOM to a company lies in keeping customers loyal. According to Schriver (1997), customers have become less loyal because of the varieties of products they have to choose from; not only this but advertising coverage has expanded tremendously. In an investigation by Gruen et al. (2006), it was shown that the loyalty of customers can be recovered by including WOM as a part of the marketing plan. Moreover, when it comes to services, customers form their decisions based on WOM (Murray, 1991). It is also demonstrated that WOM helps in the diffusion process of the new products (Rogers, 1995). Besides, customers' satisfaction can increase WOM. Therefore, companies should consider WOM as a valuable type of communication (Anderson,

1998). One important thing to bear in mind in regard with WOM is that, it becomes the most effective source, had the information been provided come from a reliable or experienced source (Sweeney et al., 2008). Consumers share their ideas on products and brands through WOM (Jansson & Zakharkina, 2013). Kozinets, De Valck, Wojnicki, and Wilner (2010) study has shown that WOM communication affects most of consumers' buying decisions.

Although WOM shapes consumers' opinions about products and services in the pre-purchase stage, consumers also seek WOM to decrease the dissonance that is felt after the feeling that they have made the right choice of obtaining such products or services appears (Bone, 1995). To illustrate this, it has been proved that the purchase of fast moving consumer goods is impressively affected by WOM (Katz & Lazarsfeld, 1970), and it extended to include the choice of other services like doctors (Feldman & Spencer, 1965). The investigation of Rogers (1995) have shown a very interesting fact that consumers will highly become dependent on WOM, especially when adopting a new product or experiencing a new kind of service, which makes WOM a very effective tool for marketers to consider in speeding the process of product diffusion (Mahajan, Muller, & Srivastava, 1990).

To conclude, WOM has some unique features that allow it to determine customers' opinions and intentions to buy products (Brown & Reingen, 1987), but what made it even more effective is its integration with the internet that has created even better qualities (Dellarocas, 2006). A huge amount of information and special features of WOM that changed to eWOM is the topic of the next section.

2.3 EWOM

The integration of the internet with WOM has developed a distinctive way of communication called electronic Word of Mouth (eWOM) (Dellarocas, 2006; Dwyer,