

E-WOM AND ITS IMPACT ON ONLINE BUSINESSES IN BANGLADESH

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Abstract

Bangladesh is one of the most populous countries of Asian continent. Asian countries are varied in different aspects. In Bangladesh, people have become more tech savvy over the years. Usage of various social media like Facebook, Twitter etc. have increased rapidly. Also, the usage and acceptance of e-commerce or online selling and buying have become one of the striking features of modern day Bangladesh. It is interesting to see how eWOM affects the brand image and purchase intention of online businesses in Bangladesh. Through the analyzing of the gathered data, it has been found that eWOM (Electronic World of Mouth) affects both brand image and purchase intention positively.

Keywords:

Bangladesh;
Social Media;
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1. Introduction

In Bangladesh, there is a good number of shops or businesses operating online. Many of these businesses have been performing well in terms of sales revenue and other dimensions. In Bangladesh, these online businesses are not just using the standard tools of marketing promotion to promote their businesses rather they are also leveraging on the referrals by their satisfied customers through electronic medium. This basically refers to the use of electronic word of mouth marketing.

Electronic word of mouth strategy can make a business successful by promoting good words and views about the company and the product. On the other hand, electronic word of mouth strategy can ruin a business if not manage well and efficiently. Online buying and selling have become more of a norm steadily. It is also evident from the various statistics put forward by various research firms. One of such study is from Google conducted during the year 2014 and it has concluded that 22% of the Bangladesh's total internet users shop online, spending Tk7, 594.10 annually on an average ("Online shopping worth Tk7,184cr each year | Dhaka Tribune", 2016).

E-commerce has started its journey during the year 2009. Over these years, e-commerce businesses have become more prominent and the industry is said to be Tk300 crore industry with nearly 250 e-commerce organizations operating (Policy Support for Local E-Commerce Industry", 2015).

In Bangladesh, the common people are tech savvy nowadays and they are using various social media and online sites on daily basis. In the South-East Asian zone, there are a total of 252.4 million Internet users. And Bangladesh is emerging as the country with increasing number of people using internet. As of June, 2016, there is a total of 63.290 internet subscribers in Bangladesh ("Internet Subscribers in Bangladesh June, 2016", 2016).

According to internetworldstats, an online statistics portal, the user penetration rate of e-commerce is at 31.9 % in 2015 for Bangladesh ("Bangladesh Internet Usage and Telecommunications Reports", 2016).

Nowadays, many of the Bangladeshi families are working full-time in working days and part-time during weekends and this leave them with less amount of time to spend for doing other things like shopping. Hence, online shopping has sprung up as one of the most preferred way to buy the needed products.

Due to the wide spread usage of various social media platforms like Facebook, Twitter, WhatsApp, Instagram etc. various retailers have set up their online shops in these sites and buying and selling have been being done in these sites.

And it is interesting to see that many of these online sellers are not using any of the traditional marketing promotion tools to promote their businesses rather they are focusing on the promotion done by their customers which in turn is termed as electronic word of mouth.

There is a potential lack of sufficient literatures exploring the effect of such electronic word of mouth marketing by customers on the revenue or profit earning potential of online businesses. Hence, this study will try to find out the impact of electronic word of mouth marketing strategy on the online businesses in Bangladesh.

The arrival of wide spread social media usage has given birth to the term of electronic worth of mouth or eWOM in short. Businesses are utilizing the eWOM to get and retention customers. Since there is a lot bunch of businesses utilizing this eWOM, hence there is some impact of eWOM for online businesses in particular.

According to Cheung and Thadani (2012), the development of media channels has led to a new kind of communication between customers. An increasing number of people are using online communication such as social networks, discussion forums and consumer reviews sites for sharing experiences and exchanging information of products and services. Electronic word-of-mouth (eWOM) is when earlier, current or possible customers of a company share experiences of products and services with other customers online. When searching for information prior to a purchase decision, customers find eWOM more credible than traditional media such as TV advertisement, radio, personal selling and print ads. (Ibid)

According to Xue and Zhou (2010), there is either positive or negative information in WOM messages because customers either recommend or warn others of products according to their own experiences. Positive WOM has a greater influence on customers than negative WOM because it enhances the positive perception of brands or products. Positive WOM has also been found to influence consumer buying decisions. When it comes to the source of WOM, customers tend to be more influenced when the information comes from people they know than when information originates from advertising and organizational sources. (Ibid)

Current online communication includes social media networks such as Facebook, Twitter and YouTube. These in turn creates new possibilities for customers to connect with each other and become active participants instead of passive observers through eWOM in social media.

Customers participate in eWOM for the reason of reducing the uncertainty risk with buying products and services by searching for accurate information before making a purchase decision and to search for the lowest prices. WOM is considered to be a critical factor in the success of marketing and one of the most important influencing factors on consumer buying behavior. WOM has an impact on customers' evaluation of products and services and, final purchase decision as well as post-purchase evaluations. (Daugherty & Hoffman, 2014) Consumers can share opinions and information through WOM communication directly to buyers regarding particular brands, products and services (Hawkins, Best & Coney, 2004).

In customers' buying decision, WOM plays a significant role, since it is detected to be more trustworthy, reliable and credible in comparison to communications initiated by companies (Schiffman & Kanuk, 1995; Arndt, 1967). Furthermore, traditional theory of communications states that WOM is very influential in terms of consumer behaviour, especially on information search, decision-making and evaluation by consumers (Cox, 1963; Brown & Reingen, 1987; Money, Gilly, & Graham, 1998; Silverman, 2001).

The invention and establishment of the Internet has opened up a lot of new opportunities for businesses and consumers across the world. Being able to do business online has given the already expanding globalization new dimensions and opportunities. The consumers can, within

only a few mouse clicks, browse through websites and eventually make a purchase for the service or product of desire. As a consequence of more people across the world getting access to internet connection, there is low risk of e-commerce slowing down.

In contrary, the statistics indicates that it is rapidly increasing. Bansal (2011), who has done research on e-commerce in China and India, claims that due to the increasing affluence of the middle class in the Asian markets, online trade will increase significantly.

Online business as a platform for shopping has raised new challenges for companies and new factors influencing consumer perception by buying decision process (Ha & Stoel, 2012). Factors mentioned in research today include; influence, convenience, the web page's atmosphere, risk and price (Prasad & Aryasri, 2009; Bhatnagar & Ghose, 2004; Koufaris et al., 2001; Hsieh & Tsao, 2013; Vazquez & Xu, 2009; Evans, 2008).

1.1 Online Consumer Behavior and Purchase Intention

As e-commerce continues to grow, we can expect the competition to get even tougher between online retailers. Potential customers can easily compare websites and look for better and cheaper products. Marketers have to be innovative and keep the pulse on how consumers behave and what preferences they have. Earlier studies have reached some insights, for example that the price is the most conclusive aspect, where the consumers who have a high sense of price consciences are most likely to browse several websites in search for the best price (Nirmala & Dewi, 2011).

When the potential customers visit a website with the attempt to make a purchase, and the website of interest is poorly formed, it can result in a cancelation of purchase and a loss of customers to the competitors (Bhatnagar & Ghose, 2004). Hsieh & Tsao (2013) claim that how much trust a potential consumer puts in the website visited is very much dependent on the quality of the website. Also, as the website is the only platform where the businesses have the opportunity to persuade the visiting potential customers, it is of importance that the website looks professional as it reflects the overall competence the company possesses (Chang & Chen, 2008).

Companies usually strive to generate profit and in order to do that they need to attract consumers to their businesses (Armstrong et al., 2009). E-commerce is an evolving market (Constantinides, 2004), the number of retailers and the growth in online shopping has built up a competitive market and therefore it is essential for companies to continuously develop their online activity (Szymanski & Hise, 2000). Online purchase intention is affected by the consumers' determination to purchase from an e-commerce business (Salisbury et al., 2001; Choon et al., 2010).

1.2 Brand Image

Brand image refers to the way a brand is represented in people's minds. It includes how the target market interprets the brand's attributes, buyers of the brand, and benefits.

Brand image also refers to the way one feels or thinks when the brand name is mentioned. (Hawkins et al, 1998) A brand image should convey a distinctive message that communicates the product's major benefits (Kotler et al 2003). According to Oxenfeldt and Swann (1964), an image that is clearly communicated can protect it from its competition and establish the brand's place in the market. However, image cannot be created over one night and it has to be supported by everything the company says and does (Kotler et al 2003).

The function of brand management must be a long term goal because it is an asset that can drive some of a company's market capitalization. Short term goals are not viable for long term sustainability. (Maio, 2003).

1.3 Impact of eWOM on Brand Image and Purchase Intention of Online Businesses

eWOM usually acts as an informal form of advertising. It usually acts as a helping tool for online businesses. Successful and positive eWOM helps companies to reach the minds of the consumers and increase the purchase intention and brand image of online businesses. Since the number of online businesses in Bangladesh is increasing hence it is of utmost importance to utilize eWOM to promote and foster growth of such businesses.

From the previewed literature review, it has been observed almost all of the previous studies have talked about the impact of traditional WOM on the purchase intention and brand image of businesses. Hence, the matter of eWOM and its impact on the purchase intention and brand image of businesses has been largely ignored. Due to advancement in technology and other such things, it is now a burning issue to explore. The current study will seek to shorten the gap by exploring the impact of such eWOM on the purchase intention and brand image of online businesses operating from the perspective of a developing country like Bangladesh.

2. Research Method

For this study deductive approach has been utilized. Deductive approach can be defined as the approach where the theory is used to develop hypothesis and design a research strategy to test the hypothesis. Deductive approach puts emphasis on scientific principles; moving from theory to data; the need to explain causal relationships between variables; the collection of quantitative data; the application of controls to ensure validity of data; a highly structured approach and etc. Quantitative research strategy has been utilized for this study. The purpose of this strategy has been set to analyze the collected primary data and perform statistical or other analytic means and reach to a reliable and valid conclusion. Primary data has been utilized for this study. Primary data have been collected through the means of questionnaire.

3. Results and Analysis

The total sample size of this study is 340. Since the sample size is in handsome amount, hence a sample profile will give a clear idea of the chosen samples.

Following is a table showing the sample profile for this study-

Sample Profile Facts	
Total respondent	340
Male	220
Female	120
Monthly income of majority (41.2%) More than BDT 10,000	

Table 1: Sample Profile

Since the main objective of this study is to measure the impact of electronic word of mouth on the purchase intention and brand image, hence impact of electronic word of mouth or EWoM is the independent variable and purchase intention and brand image are dependent variables. Following is the regression equation showing this –

Electronic Word of Mouth (EWoM) = (Purchase intention, Brand Image)

The data gathered through survey have been analyzed using SPSS and also descriptive statistics and other statistical measures have been calculated.

With the model, regression analysis has been performed. Table shows the descriptive statistics

Variables	Mean	Std. Deviation
Dependent Variables :		
Purchase Intention	6.16	0.83
Brand Image	5.18	1.21
Independent Variable:		
EWoM	4.48	1.19

Table 2: Descriptive Statistics

From the above table, the mean value for Purchase intention is 6.16. The mean value of Purchase intention is being affected largely. The standard deviation is 0.83 suggesting the data is distributed near to the mean value.

The mean value for Brand image is 5.18. This value suggests that brand image is being affected by favorable electronic word of mouth as well. The standard deviation is recorded at 1.21 indicating that the distribution of data is only minimally dispersed and tend to concentrate near to the mean value.

The mean value for EWoM is 4.48 while the standard deviation is 1.19. It is worthwhile to note that EWoM has been utilized as a dependent variable to see its impact on the purchase intention and brand image.

Correlation measures the strength and direction of the linear relationship between the two variables. The correlation coefficient can range from -1 to +1, with -1 indicating a perfect negative correlation, +1 indicating a perfect positive correlation, and 0 indicating no correlation at all. (A variable correlated with itself will always have a correlation coefficient of 1). This correlation is also known as “Pearson’s Correlation.”

A pairwise correlation matrix of the variables for with Purchase intention and Brand image as the independent variables have been provided in the following table –

Variables	EWoM	Purchase Intention	Brand Image
EWoM	1.000		
Purchase Intention	0.79	1.000	
Brand Image	0.89	0.48	1.000

Table 3: Pairwise Correlation

From the above table, it is evident that there are different degrees of correlations among the variables used in the study. Correlation basically defines the relationship among the different variables used in the study.

The highest positive correlation for this group is 0.89 which is between EWoM and Brand image. The second highest positive correlation exists among EWoM and Purchase intention and it is reported at 0.79. The last positive correlation value is 0.48 which is between Purchase intention and Brand image. All the variables have perfect positive correlation with itself.

3.1 Regression Analysis

Since there is a regression equation for this study, hence performing the regression analysis gives a total purview of the exactness of the equation.

In this study, there are two dependent variables namely purchase intention and brand image. While, there is only one independent variable which is EWoM or electronic word of mouth.

Taking purchase intention as the dependent variable and performing the regression analysis yield the following result-

R	R Square
0.79	0.62

Table 4 : Regression Output (Purchase Intention as Dependent Variable)

In the above regression output, Purchase intention is the dependent variable and EWoM is the independent variable.

Here, the value of R represents the simple correlation and it is 0.79 which indicates a moderate high degree of positive correlation.

And finally the value of R squared indicates how much of the total variation in the dependent variable, Purchase intention can be explained by the independent variable EWoM. In this case, 0.62 or 62% of the variation in dependent variable is explained by the independent variable.

Taking Brand image as the dependent variable, the following regression output has been found-

R	R Square
0.89	0.79

Table 5: Regression Output (Brand image as Dependent Variable)

In the above regression output, Brand image is the dependent variable and EWoM is the independent variable.

Here, the value of R represents the simple correlation and it is 0.89 which indicates high degree of correlation.

And finally the value of R squared indicates how much of the total variation in the dependent variable, Brand image can be explained by the independent variable EWoM. In this case, 0.79 or 79% of the variation in dependent variable is explained by the independent variable.

3.2 Significance of the Model

For the regression model to be valid 99% reliable, test of reliability has been performed. The values of t-statistic and p value signify the validity and reliability of this model. Following is a table showing this –

Model	t	Sig.
Purchase intention	8.61	0.026

Brand image	7.17	0.012
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Table 6: Test of Significance

As a generally accepted statistical rule, any model is significant if its p value is less than 0.05 for two-tailed test. Here, the p values of both purchase intention and brand image are less than 0.05. From the analysis, significant positive relationship has been found between eWOM and brand image and eWOM and purchase intention.

4. Conclusion

Word of mouth has become the topic of many discussions over the years. In this age of web 3.0, there are necessarily two different versions of word of mouth namely traditional word of mouth and electronic word of mouth.

Since word of mouth has been found very effective in promoting a business, it is dedicatedly anticipated that electronic word of mouth will do the same for all types of business especially the online businesses.

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