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FACTORS AFFECTING CONSUMERS ADOPTION OF
ELECTRONIC WORD-OF-MOUTH (eWOM)
IN PENANG, MALAYSIA

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DECLARATION

“I admit that this report is the end result of my own work that excluded certain explanations and passages where every of it is cited with sources clearly.”

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DEDICATION

I would like to dedicate the appreciation to my family members that supported me spiritually and financially, my beloved supervisor and panel that guided me throughout the research, and my friends that assisted me throughout the research journey.

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ABSTRACT

The advancement of technology enabled consumers to share their knowledge and opinion through online. Thus, electronic word of mouth (eWOM) was recently adopted by consumer to look for further information about product, service, brand or company. However, the issue of credibility was the major concern for consumers to engage in online activity. This study empirically examined the factors affecting perceived eWOM credibility, and its relative relationship towards consumer eWOM adoption in Malaysia. Dual Process Theory was applied to study the persuasiveness of the messages. The informational determinants (argument quality, source credibility, and confirmation of prior belief) and normative determinants (recommendation consistency and recommendation rating) were investigated. Quantitative research was used to collect the 320 respondents between 18 to 44 years old who were active internet user and had more knowledge towards eWOM. The results were analyzed using Software Package for Social System (SPSS). The results demonstrated that perceived eWOM credibility positively influence consumers eWOM adoption in Malaysia. Besides, perceived eWOM credibility also significantly influenced by argument quality and recommendation rating. These findings provided valuable information for businesses and online retailers to improve the quality of eWOM for maximum usage.

Keywords: Electronic word of mouth (eWOM), credibility, eWOM adoption, Dual Process Theory, informational and normative influence, Malaysia

ABSTRAK

Kemajuan dalam bidang teknologi membolehkan pengguna untuk berkongsi pengetahuan dan pendapat mereka secara online. Oleh itu, perkataan elektronik mulut (eWOM) yang baru-baru ini diterima pakai oleh pengguna untuk mencari maklumat lanjut tentang produk, perkhidmatan, jenama atau syarikat. Walau bagaimanapun, isu kredibiliti adalah kebimbangan utama bagi pengguna untuk melibatkan diri dalam online aktiviti. Kajian ini secara empirik mengkaji faktor yang mempengaruhi persepsi kredibiliti eWOM, dan hubungan relatifnya terhadap penerimaan pengguna eWOM di Malaysia. *Dual Process Theory* telah digunakan untuk mengkaji pujukan mesej. Penentu maklumat (kualiti hujah, sumber kredibiliti, dan pengesahan kepercayaan sebelumnya) dan penentu normatif (konsisten cadangan dan penilaian cadangan) telah dikaji. Kajian kuantitatif telah digunakan untuk mengumpul 384 responden yang berusia antara 18 hingga 44 tahun sebagai pengguna internet yang aktif dan mempunyai lebih banyak pengetahuan ke arah eWOM. Keputusan analisis menggunakan SPSS. Keputusan menunjukkan bahawa persepsi eWOM kredibiliti adalah positif mempengaruhi penerimaan pengguna eWOM di Malaysia. Selain itu, persepsi eWOM kredibiliti juga dipengaruhi oleh kualiti hujah dan penilaian cadangan. Penemuan ini memberikan maklumat yang berharga untuk perniagaan dan peruncit dalam talian untuk meningkatkan kualiti eWOM ke arah penggunaan yang maksimum.

Kata kunci: Perkataan Elektronik mulut (eWOM), kredibiliti, penggunaan eWOM, *Dual Process Theory*, maklumat dan normatif pengaruh, Malaysia

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LIST OF ABBREVIATION AND SYMBOL

WOM	=	word-of-mouth
eWOM	=	electronic word-of-mouth
Wi-Fi	=	Wireless free internet
et al.	=	Et alia
etc.	=	Et cetera
e-mails	=	Electronic mail
SMS	=	Short message service
H_0	=	Null hypothesis
H_1	=	Alternative hypothesis
ECA	=	Export Credit Agency
UTeM	=	Universiti Teknikal Malaysia Melaka
SPSS	=	Statistical Package for the Social Sciences
ANOVA	=	Analysis of variance
RM	=	Ringgit Malaysia
PhD	=	Doctor of Philosophy
AQ	=	Argument quality
SC	=	Source credibility
COPB	=	Confirmation of prior belief
RC	=	Recommendation consistency
RR	=	Recommendation rating
PEC	=	Perceived eWOM credibility
CEA	=	Consumers eWOM adoption
>	=	Less than
=	=	Equal

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

Traditional Word of Mouth (WOM) is one of the most influential channels for transmitting the information (Fan et al., 2013). According to Chaney (2012), 86 percent of Malaysian trust word of mouth recommendations from people they know. They did not trust on advertising. However, with the advent of technologies, the internet is penetrating into every aspect of people's life (Cheung et al., 2007). The internet had created a new form of WOM communication. Internet users were able to view and read consumers comment and recommendation from other experienced consumers. Thus, consumers can access and exchange the information at a lower cost and in a faster speed. Nielsen (2014) identifies there are 68 percent of Malaysians prefer to read online review prior to purchasing a product.

Mohammad et al. (2011) found that most of the consumers perceive online opinions to be as trustworthy as brand web sites. According to Chaney (2012), 70 percent of consumers trust the opinion posted online. However, previous study determined there were increasing numbers of consumer did not trust eWOM due to its ambiguous source and unfiltered information that may affect the validity of information (Cheung et al., 2007). Therefore, trust is the important element for affecting the consumer activities in online environment (McKnight et al., 2002). Thus, investigating the factors affecting perceived eWOM credibility can lead to understand the process of eWOM being used.

Last but not least, Nielsen (2013) determines that perceived credibility is a key component in advertising effectiveness. Consumer who believes online information to be credible has no reason to refuse eWOM adoption (Cheung et al., 2009; Sallam and Wahid, 2012). According to Fan et al. (2013), the adoption of eWOM also recognize as eWOM persuasiveness. In overall, it is valuable to study the eWOM components since both the advertisers and host of websites can gain business opportunity from consumer-generated content (Stauss, 2000; Mariussen et al., 2010).

1.2 Problem Statement

According to Wong (2012), most of the researchers have focused their study on traditional word of mouth so research on electronic word of mouth (eWOM) is few only. Moreover, limited study of this subject was due to the issue of fragmentation. The fragmentation of eWOM is cause by “lacking of conceptualization of the term eWOM” (Sumangla and Avinash, 2015). The term eWOM had been described as internet word of mouth, virtual word of mouth, electronic referral marketing and etc.

In this new era, internet has changed the nature and power of Word-Of-Mouth (WOM) communications, and also the directions and volume of communications among the firm and consumers (Ward and Ostrom, 2003; Duana et al., 2008). It is clear that eWOM phenomenon has changed the behaviour of consumer in processing the information (Johansen and Hovland, 2012). Nowadays, consumers liked to share their information and post their comment using online platform, such as social networking sites, blog, forum and etc.

However, the nature of anonymous in eWOM communication makes the credibility of source and the authenticity of the information difficult to be judged (McKnight and Kacmar, 2006; Cheung et al., 2009; Cheng and Zhou, 2010). Thus, this problem may lead to intentionally misleading and out-of-context messages (Dellarocas, 2003). Next, consumers may be difficult to form the impressions

towards eWOM senders and their characteristics because it involve visually anonymous weak tie contacts (Schindler and Bickart, 2005; Lee and Youn, 2009; Chatterjee, 2011). Past research showed that when consumers cannot differentiate the individual identities of sources, consumers were likely to comply with the opinions of sources that have self-categorize or identity.

1.3 Research Question

From the problem statement, electronic word of mouth (eWOM) enabled consumers to exchange information at anytime, anywhere, and any circumstance. Consumers could look for unlimited review as many times as they wish in online platform that was connected globally. The researcher understood that the level of consumers trust may affect their behavior of accepting the information. Thus, these research questions had outlined the literature about perceived eWOM credibility towards consumers eWOM adoption in Malaysia.

The research questions for this study were:

- a) What is the relationship between perceived eWOM credibility and consumers eWOM adoption in Malaysia?
- b) What are the factors that affect the perceived eWOM credibility towards consumers eWOM adoption in Malaysia?
- c) What is the most important factor that affects perceived eWOM credibility towards consumers eWOM adoption in Malaysia?

1.4 Research Objective

- a) To analyze the relationship between perceived eWOM credibility and consumers eWOM adoption in Malaysia.
- b) To determine the factors that affects the perceived eWOM credibility towards consumers eWOM adoption in Malaysia.

c) To identify the most important factor that affects consumers perceived eWOM credibility.

1.5 Scope and Limitation

The scope of the study only focused on which informational and normative factors influenced consumers perceived eWOM credibility, and how credibility affected consumers' for accepting or starting to use eWOM. In this study, the three informational determinants discussed were argument quality, source credibility, and confirmation of prior belief while normative determinants were recommendation consistency and recommendation rating. The survey was aimed to target the respondents between 18 to 44 years old. According to Statistics (2014), more than 60 percent of daily internet usage in Malaysia is between 16 to 54 ages. However, the number of internet user for more than 45 years old is decreased significantly (Statistic, 2014). Stanford Children's Health (2015) claims that the late adolescence which is under 18 to 20 years old have the ability to develop idealistic views on specific topics or concerns. Therefore, the researcher summarized that the age groups between 18 to 44 years olds were be the adopter of eWOM. Furthermore, the study was conducted at Penang Island only. In 2009, Penang State Government had run the Penang Free Wi-Fi project so it was reasonable for the higher proposition of internet users in Penang as compared to other states. Thus, researcher believed that the respondent in Penang Island can provide reliable results.

The limitation of research was evaluated on this part. Firstly, there was a limitation for the geographic and sample size factor. The respondents who filled in the survey were limited for consumers from Penang Island due to time constraint. There were certain locations, such as shopping complexes and café shop had been selected due to the available of Wi-Fi connection. This research was also limited to 320 respondents only. Thus, this research was not conclusive to represent all the respondents in Penang. Secondly, this research was using cross-sectional approach so the phenomenon was studied at a particular time. However, the survey result may vary according to different time periods (Adrian et al., 2014). Thirdly, it was very

hard to get the participation of respondents to fill in the questionnaire and collect back through online. Mostly, the respondents perceived that the researcher were exposed their personal information in public so they were not willing to fill in any questionnaire. Fourthly, response bias may occur in this research. There were some argument about the accuracy and validity of the findings. The researcher did not know whether the respondents were filled in the questionnaire based on their true thoughts, feelings, or behavior. Fifthly, this research was limited because only two factors out of five factors had significant influenced to the perceived eWOM credibility. Some other contributing factors may influence perceived eWOM credibility other than those five variables. For example, the recommendation framing and recommendation sidedness as independent variable or involvement and gender as moderating variable also affected the perceived eWOM credibility. Lastly, the questionnaire only provided in one language which is English. Some respondents who were not good in English may face difficulties in understanding the questionnaire. There is no feedback column in questionnaire so respondents cannot voice out their problem when fill in the questionnaire (Adrian et al., 2014).

1.6 Important of Study

With the emerging of World Wide Web, it was important for company to identify the consumers internet usage behavior. The level of information acceptance depended on consumers' experiences and knowledge. Few of the Malaysia research were focused on this topic. Therefore, it was important for researcher to investigate the informational and normative factors that directly or indirectly affected perceived eWOM credibility towards consumer adoption of eWOM in Malaysia.

Throughout this research, company can have a clear understanding on which factors affected consumers perceived eWOM credibility. It was easier for the company to sort out and solve the problem related to credibility issue later. The increased number of consumers' confidence level result from better credible of eWOM messages can lead to a higher percentage of eWOM adoption. Thus, consumer engagement with the product or service was increased due to the

credibility of the messages. Consumers actively participate in eWOM can provide company the valuable information for improving and developing the product or service.

Moreover, this research also indirectly provided the opportunity for company exposed to the potential power of eWOM. eWOM helped company to create awareness and generate traffic for a products or service, brand name or even company name. Thus, company can effectively incorporate eWOM communication in promoting their product or service to achieve high sales volume in a faster speed.

1.7 Summary

This chapter was the foundation of the research. In this chapter, the background of the research was discussed. Next, the introduction to the problem was given. This was followed by the research question and objective of the study. The scope and limitation of the study were then discussed. Finally, the importance of study was evaluated. Later, this foundation influenced the structure of the literature review in chapter two.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In this chapter, information was collected from available secondary data source. Since eWOM was a type of interpersonal communication so the basic concept of communication was discussed later. Next, the review of traditional word-of-mouth and its transformation towards eWOM were evaluated. The main concept of this research was focused on eWOM so a brief explanation was given to it. Then, dual process theory was applied to study the factors affecting perceived eWOM credibility towards consumers eWOM adoption.

2.2 Communication

According to Velentzas and Broni (2010), the term "communication" has been derived from the Latin "communis," that means "common". Thus, "to communicate" means "to make common" or "to make known", "to share" and includes different media types for human interaction. Merriam-Webster Dictionary (2015) defines communication as “the act or process of using words, sounds, signs, and behaviours to exchange information or express the ideas, thoughts, and feelings to someone else.”