

THE INFLUENCE OF ELECTRONIC WORD-OF-MOUTH (eWOM)
COMMUNICATION TOWARDS CONSUMER PURCHASE DECISION OF
MOBILE DEVICES

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This report is submitted in partial fulfilment of the requirements for the award
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DECLARATION OF APPROVAL

I/ We hereby declare that I have read this dissertation and in my opinion, this dissertation is sufficient in terms of scope and quality as a partial fulfilment the requirements for the award of Bachelor of Technopreneurship with Honours

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Date :

DECLARATION OF ORIGINAL WORK

“I hereby declare that this research entitles “The Influence of Electronic Word-of-Mouth (eWOM) Communication Towards Consumer Purchase Decision of Mobile Devices” is my own work except for the quotations summaries that have been duly acknowledged”

Signature :

Name : LYE WENDY

Date :

DEDICATION

I would like to dedicate the appreciation to my family members who supported me from spiritually and financially, beloved supervisor and also panel who guided me throughout the research, my course mates and housemates that assisted me through the journey of research.

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I would like to take this opportunity to express my greatest appreciation to my family for their kind cooperation and motivation that support me in completion of this project. Their encouragement and enthusiasm has guide me through the whole journey in completing this report.

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ABSTRACT

This research aims to uncover the influence of eWOM communication toward consumer purchase decision of mobile devices. This study involves some factors which eWOM influencing the consumer purchase decision including interpersonal ties, homophily and source credibility. Hence, the relationship between those factors towards purchase decision of consumers on mobile devices were being investigated. Besides, the most influential and dominant factor which lead eWOM to influence consumers purchase decision of mobile device also will be identified. The relationship between interpersonal ties, homophily and source credibility were test to evaluate the strength of each variable toward consumers purchase decision. The survey data are collected among consumer in Selangor, Melaka and Kuala Lumpur via the spreading online questionnaires and the data will then be analysed by applying Statistical package for social science (SPSS) with descriptive analysis, correlation analysis, and multiple regression analysis. The result shows that homophily and source credibility have significant relationship towards consumer purchase decision of mobile devices. Moreover, source credibility is the dominant factor which is the most influential factor in eWOM toward consumer purchase decision of mobile device.

Keywords: eWOM, interpersonal ties, homophily, source credibility, consumers purchase decision, mobile device

ABSTRAK

Kajian ini bertujuan untuk mengkaji pengaruh dari eWOM komunikasi terhadap keputusan pengguna untuk membeli peranti mudah alih. Beberapa faktor eWOM telah dikaji dalam kajian ini termasuk hubungan peribadi, homophilous dan kebolehpercayaan sumber. Oleh itu, hubungan antara ketiga-tiga faktor tersebut terhadap keputusan pengguna untuk membeli peranti mudah alih serta faktor yang paling mempengaruhi turut dikenalpasti. Data kajian ini akan dianalisis oleh program Statistical Package for Social Science (SPSS). Keputusan kajian ini menunjukkan bahawa homophilous dan kebolehpercayaan mempunyai hubungan secara langsung terhadap keputusan pengguna untuk membeli peranti mudah alih. Manakala, kebolehpercayaan mempunyai pengaruh yang paling tinggi berbanding terhadap keputusan pengguna untuk membeli peranti mudah alih.

Kata kunci: eWOM komunikasi, hubungan peribadi, homophilous, kebolehpercayaan sumber, keputusan pengguna untuk membeli, peranti mudah alih

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LIST OF ABBREVIATIONS

ABBREVIATION	MEANING
eWOM	Electronic Word-of-mouth
WOM	Word-of-mouth
US	United State
RM	Ringgit Malaysia
MCMC	Malaysian Communications and Multimedia Commission
PDA	Personal Digital Assistant
IV	Independent Variables
DV	Dependent Variable
SPSS	Statistical Package for Social Science
SPM	Sijil Pelajaran Malaysia
STPM	Sijil Tinggi Persekolahan Malaysia
IT	Interpersonal Ties
H	Homophily
SC	Source Credibility
PD	Purchase Decision
ANOVA	Analysis of variance

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter expound the research of investigating the influence of Electronic Word-of-Mouth (eWOM) communication towards consumer purchase decision of mobile devices in Selangor and Melaka. Besides, this research describes some problems that will be dissertated in further. Additionally, the overall idea of research includes research background, research question and objective, key assumption and scope of study and its significance will be narrating from top to bottom.

1.1 Background of the Study

WOM is defined as the informal communications between consumers about the application, appearance and features of goods or seller (Westbrook, 1987). Consumers usually influenced by their friends, peers, family members or acquaintances on their purchase decision-making by acquiring information about products, services or brands (Bayus, 1985). WOM have been proven as a dominant force within the consumer marketplace as there are previous studies declare that WOM is more influential than other controlled-sources by organizations such as advertising (Buttle, 1998). According to Day (1971), this is due to the reliability and flexibility of

interpersonal WOM communication are higher. WOM communication is a potential trustworthy and influential source of communication due to its informal and interactive nature (Harrison-Walker, 2001). WOM communication increases the awareness of particular product and increase the persuasiveness of consumer to attempt new things (Van den Bulte and Wuyts, 2009).

According to Bone (1992), WOM is a discussion of review, appraise, opinion and comments in between two individuals or conversation with more than two persons, and no any representative from the organization involve for marketing purpose. The comments given in the conversation may be positive or negative. This is because positive WOM may happen when the customers gratified on experiencing a product or service thus determine to enjoy together or spread about its benefits with other people. While, when customers blame or complaint towards other people on their dissatisfaction and disappointment on a product or service may cause a negative WOM. According to a study conducted by the US Office of Consumer Affairs, one disappointment individual will share around nine other people about the dissatisfaction experience on the product. Whereas, individual who feel satisfaction on a product will only share to five other people on their experience (Ismagilova et al., 2017).

However, electronic Word-of-Mouth (eWOM) communication is emerging in the consumer marketplace since the world have shift to the modern digital era of the 21st century (Deuze, 2006). It is because the growth of the Internet technologies as well as the online social networking have extremely boosted the power of eWOM. Therefore, there are two model of WOM communication now include traditional WOM communication (offline) and electronic WOM communication (eWOM) which is facilitated online WOM communication.

eWOM is being defined as any publication or declaration on any medium through Internet which able to reach a large group of people, made by actual or former customer based on their experience on a product, service, company and brand no matter positive, neutral or negative nature of opinion (Kietzmann & Canhoto, 2013). The ability of eWOM communication to attain a broad number of people can be done just in a short time period. This is because eWOM give rise to higher awareness since

there are many options available for both communicators and consumers to spread eWOM compared to traditional WOM (Kiecker & Cowles, 2002).

According to Marshall McLuhan (as cited in Sun, Youn, Wu & Kuntaraporn, 2006), eWOM which imply communication in word form is more conscious than traditional WOM which is oral communication because the word written is in orderly and logic can be modelled through the step-by-step linear progression. eWOM is considered as more influential communication compared to traditional WOM because of its easement, quickness, one-to-many reach, and its elimination of human pressure on face-to-face discussion (Phelps et. al., 2004). In addition, one able to seek the opinions of any products or services of given by anyone around the world by using search engines on Internet. Therefore, this study is focusing for the study of eWOM instead of traditional WOM since the previous study have declared that eWOM is a more influential communication compared to traditional WOM and the e-commerce trend is emerging in recent years.

According to Steffes & Burgee (2009), there are many Internet users focus on product ratings which correspond to the application of eWOM (Steffes & Burgee, 2009). Amazon, Lazada and eBay provide a high degree of comfort towards the customers as to search for the information of product and its experience from other consumers. This study is focus to uncover the influence of eWOM communication towards consumer purchase decision of mobile devices. Therefore, the purpose of this study is to investigate the influence of eWOM in the consumer decision-making process.

1.2 Problem Statement

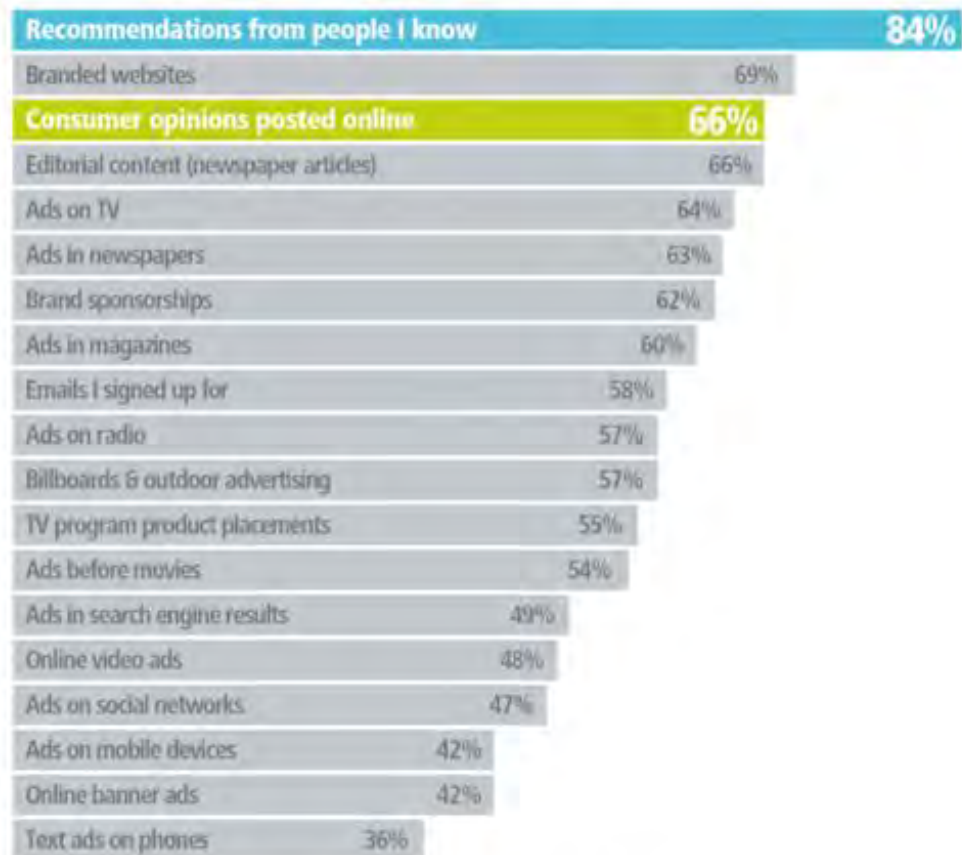
According to the largest market research organization in Germany which is also the fourth largest market research organisation in the world, GfK, Malaysian consumers bought around RM 6.8 billion worth of smartphone in 2016. According to comScore Malaysia, one out of five Malaysian digital users merely use mobile devices to access the internet. There is about 30.8% of 13.7 million mobile users in Malaysia

accessed the internet exclusively via smartphone and tablets in April (The Star Online, 2017). The numbers of mobile device users around the world is increasing with the growth of development in technology and telecommunication sector. Hence, it showed that Malaysian are actively use mobile devices to surf Internet and the market of mobile devices is huge enough. However, there are a lot of choices of mobile device exist in the market with different specifications and features, consumers should consider wisely in their decision making process.

According to Enterprise News (2012), the main factors for motivating future smartphone users are internet surfing (39%), advancement from current devices (34%), and application (29%). Besides, the most vital criteria that affect the purchase decision of smartphone is the trend in community, followed by needs and software which are 35.6%, 34.4% and 33.1% of the smartphone (Osman, 2012). Therefore, consumers fall into difficulty in choosing their favourable mobile device with their different needs and desire features.

In this case, the influence of WOM communication are significant as according to Nielsen's latest Global Trust in Advertising report 2015 as shown in figure below, offline and online WOM communication are the top one (84%) and third (66%) most trusted forms of advertising in the world. 84% of global consumers trust in the recommendations from people they know which become the most trustworthy sources of information about products. While, 66% of the global consumers trust the opinion posted online from experienced consumers.

Global Trust in Advertising 2015



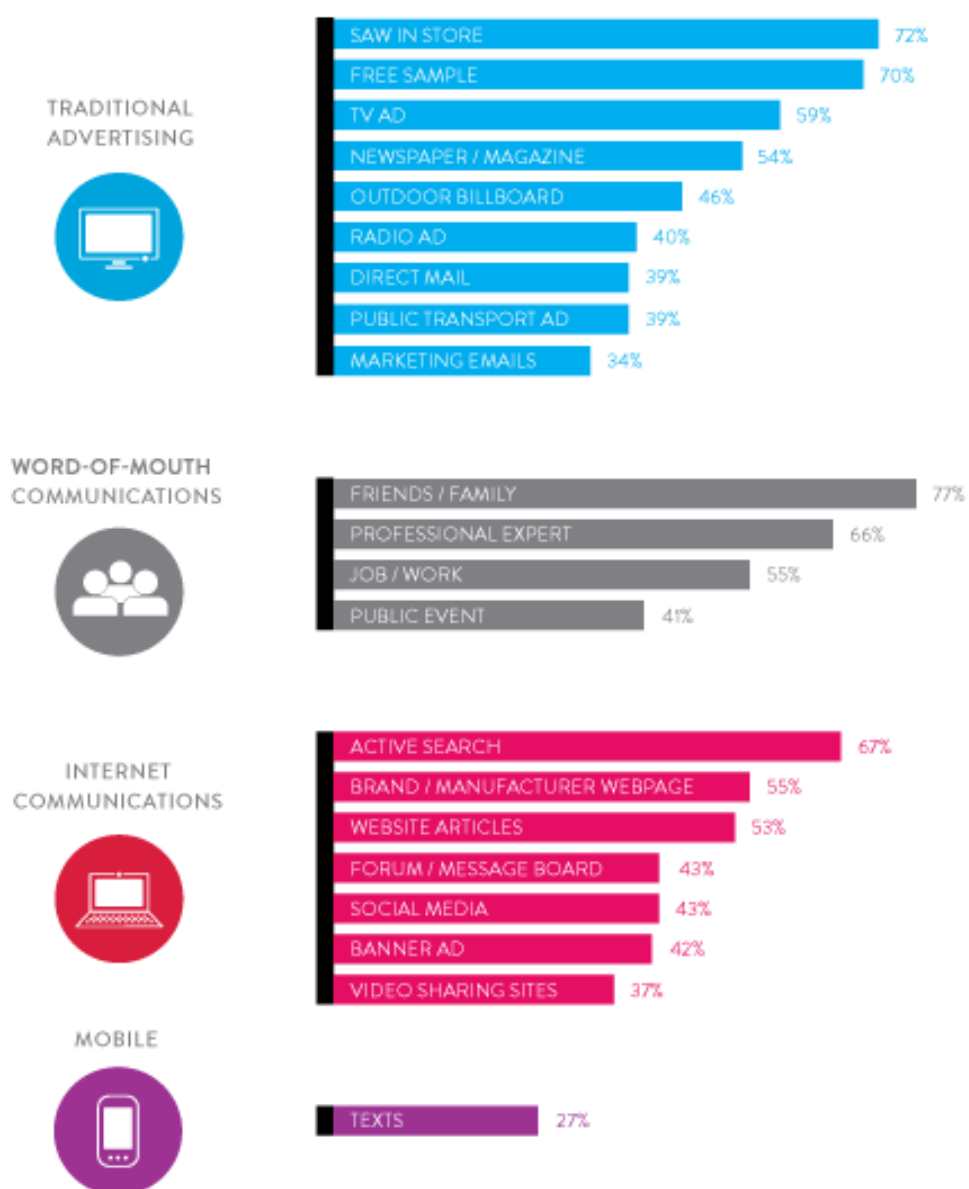
Source: Nielsen Global Trust in Advertising Survey, Q1 2015, Region: Worldwide.

Figure 1.1: Global Trust in Advertising 2015

Source: Nielsen Global Trust in Advertising Survey, 2015.

Other than that, according to Nielsen Global Survey of New Product Purchase Sentiment 2012 which shown in the figure below, when consumers are considering to purchase a new product, 77% of consumers are more likely to purchase a new product when leaning about it from friends and family which is the influence of WOM communication.

Global Percent Much/Somewhat More Likely to Buy a New Product When Learned Through These Methods



Source: Nielsen Global Survey of New Product Purchase Sentiment, Q3 2012

Figure 1.2: Global Survey of New Product Purchase Sentiment

Source: Nielsen Global Survey of New Product Sentiment, 2012.

Therefore, this study is conducting to uncover the influence of eWOM communication towards the consumers purchase decision of mobile device. There are some factors which eWOM influencing the consumer purchase decision including interpersonal ties, homophily and source credibility. Consumer highlighted the

importance of trustworthy eWOM information in searching the information in order to minimize the risk in consuming the product (Steffes & Burgee, 2009). Thus, firms and organizations can take advantage of this to implement eWOM communication so as to influence the consumers' purchase decision.

In a nutshell, the result of the research may help the business firms and marketers to understand about the influence of eWOM communication towards consumer purchase decision of mobile devices. Hence, the relevant remedial actions could be implement.

1.3 Research Questions

The research questions which will be explored throughout the research are listed as follow:

1. What is the relationship between interpersonal ties and the purchase decision of consumers towards mobile devices?
2. What is the relationship between homophily and the purchase decision of consumers toward mobile devices?
3. What is the relationship between source credibility and the purchase decision of consumers toward mobile devices?
4. Which is the dominant factor lead eWOM communication to influence consumer purchase decision of mobile devices?

1.4 Research Objectives

This study aims to uncover the influence of eWOM communication toward consumer purchase decision of mobile devices. Thus, the objectives of this research can be presented as follow: