THE IMPACT OF NEGATIVE ELECTRONIC WORD OF MOUTH (e-WOM) ON THE PURCHASE DECISION OF MALAYSIAN DIGITAL NATIVES

YONG ZHI LE

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

© Universiti Teknikal Malaysia Melaka

SUPERVISOR'S AND PANEL APPROVAL

'I hereby acknowledge that I have read this works and in my opinion this works is sufficient in terms of scope and quality for the submission and award of a Bachelor Degree of Technopreneurship with Honours'

Signature :
Supervisor name : Madam Mariam Miri Abdullah
Date : …….....

Signature :
Panel name : Datuk Dr. Sabri Bin Mohamad Sharif
Date : ……....

© Universiti Teknikal Malaysia Melaka

THE IMPACT OF NEGATIVE ELECTRONIC WORD OF MOUTH (e-WOM) ON THE PURCHASE DECISION OF MALAYSIAN DIGITAL NATIVES

YONG ZHI LE

This Report Submitted In Partial Fulfillment of The Requirements For The Award Bachelor of Technopreneurship With Honors

Faculty of Technology Management and Technopreneurship Universiti Teknikal Malaysia Melaka

JUNE 2019

© Universiti Teknikal Malaysia Melaka

DECLARATION

"I hereby declare that this thesis entitle 'The Impact of negative electronic Word of Mouth (e-WOM) on the purchase decision of Malaysia Digital Natives' is my own work except for the quotations summaries that have been duty acknowledged"

Signature :

Name : YONG ZHI LE

Date : .....

© Universiti Teknikal Malaysia Melaka

DEDICATION

This research was dedicated to my parents,

Tan Seok Cheng

And

Yong Kai Thok, who forever in my memories.

© Universiti Teknikal Malaysia Melaka

ACKNOWLEDGEMENT

I would like to express my greatest appreciation to my family for their kind cooperation and motivation that helps me in completion of this research. Their encouragement and enthusiasm has guide me through the whole journey in completing this research and report. Besides, their unconditionally love and support had keeping me harmonious and it was the greatest motivation for me to complete this research.

A special gratitude to my final year project supervisor, Madam Mariam Miri, who led and encouraged me along the journey in completing this research. I am highly in debt to madam for her aspiring guidance, friendly advice, invaluably constructive criticism and constant supervision for this whole journey. Besides, I would also like to acknowledge with much appreciation to my panel, Dr. Sabri Bin Mohamad Sharif, for the contribution in stimulating suggestions and kind guidance for the completion of this research.

My deepest gratitude and appreciation also goes to my friends who have willingly helped me out with their abilities and helping me putting pieces together. I am unable to list the names of every one that I have in debt to, but I truly value all those who provided me the possibilities to finish this research and also this report. I will be grateful forever for those support and love.

© Universiti Teknikal Malaysia Melaka

ABSTRACT

Word of mouth had ranked as the most effective information source to be rely on by a consumer upon making purchase decision. The traditional word of mouth had been emerged along with the fast changing world into an entirely new form of communication tools, which called electronic Word of Mouth (e-WOM). A few later researches had concluded that the negative e-WOM was having a greater influence than positive e-WOM towards a consumer purchase decision. However, the objectives for this research is to investigate the impact of negative e-WOM towards the purchase decision of Malaysian Digital Natives in skin care industry. The impact of negative e-WOM was investigated in 3 aspects which were the characteristics of negative online review (star rating system, volume of negative online review, depth and length of negative online review and negative visual cues), characteristics of negative online reviewer (tie strength between sender and receiver), and characteristics of website offering product review (website reputation and website information quality). This study is an explanatory research and the result was collected by using quantitative method. Convenience sampling method was using in this research and questionnaire was distributed to the target respondent which was the Digital Natives in Melaka, Malaysia to acquire the result for the study. Therefore, the findings for this research indicated that the three aspects of negative e-WOM which were characteristics of negative product review, characteristics of negative product reviewer and characteristics of website offering product review having a significant relationship with the purchase decision of Malaysian Digital Natives towards skin care products. Therefore, it can be concluded that there was a significant impact of negative e-WOM on the purchase decision of Malaysian Digital Natives towards the skin care product.

© Universiti Teknikal Malaysia Melaka

ABSTRAK

Word of Mouth telah disenaraikan sebagai sumber maklumat yang paling lengkap untuk digunakan oleh pengguna apabila membuat keputusan semasa proses pembelian. Word of Mouth tradisional telah muncul bersama-sama bawah pengaruh dunia yang maju ini dan menjadi alat komunikasi yang baru, yang disebut Word of Mouth elektronik (e-WOM). Beberapa penyelidikan kemudiannya menyimpulkan bahawa e-WOM negatif mempunyai pengaruh yang lebih dalam daripada e-WOM positif terhadap keputusan pembelian pengguna. Walau bagaimanapun, objektif untuk penyelidikan ini adalah untuk menyiasat kesan e-WOM negatif terhadap keputusan pembelian Malaysian Digital Natives dalam industri penjagaan kulit (skin care). Kesan negatif e-WOM telah disiasat dalam 3 aspek iaitu ciri-ciri tinjauan dalam talian negatif (sistem penarafan bintang, jumlah tinjauan dalam talian negatif, kedalaman dan panjang ulasan dalam talian negatif dan isyarat visual negatif), ciri-ciri penilai dalam talian negatif (mengikat kekuatan, tie strength antara penghantar dan penerima), dan ciri-ciri laman web yang menawarkan ulasan produk (reputasi laman web dan kualiti maklumat laman web). Kajian ini adalah penyelidikan penjelasan dan hasilnya telah dikumpul dengan menggunakan kaedah kuantitatif. Kaedah sampling kemudahan telah digunakan dalam kajian ini dan soal selidik telah diedarkan kepada responden sasaran iaitu Natives Digital di Melaka, Malaysia untuk memperoleh hasil kajian. Oleh itu, penemuan untuk kajian ini membuktikan bahawa tiga aspek negatif e-WOM yang mempunyai ciri-ciri peninjauan produk negatif, ciri-ciri penilai produk negatif dan ciri-ciri laman web yang menawarkan kajian semula produk yang mempunyai hubungan yang signifikan dengan keputusan pembelian Malaysian Digital Natives ke arah produk penjagaan kulit. Oleh itu, keputusan tersubut dapat menyimpulkan bahawa kewujudan kesan yang signifikan terhadap e-WOM negatif terhadap keputusan pembelian Malaysian Digital Natives terhadap produk penjagaan kulit.

© Universiti Teknikal Malaysia Melaka

TABLE OF CONTENT

CHAPTER	TITLE	PAGE
	DECLARATION	**ii**
	DEDICATION	**iii**
	ACKNOWLEDGEMENT	**iv**
	ABSTRACT	**v**
	ABSTRAK	**vi**
	TABLE OF CONTENT	**vii-xi**
	LIST OF TABLE	**xii-xiii**
	LIST OF FIGURE	**xiv**
	LIST OF ABBREVIATION	**xv**
CHAPTER 1	**INTRODUCTION**	
	1.0 Introduction	1
	1.1 Background of Study	1-4
	1.2 Problem Statement	5-6
	1.3 Research Questions	6
	1.4 Research Objectives	6-7
	1.5 Significant of Study	7-8
	1.6 Scope of Study	8
	1.7 Summary	9

© Universiti Teknikal Malaysia Melaka

CHAPTER 2 LITERATURE REVIEW

2.0 Introduction 10

2.1 Word of Mouth (WOM) and Electronic Word of Mouth (e-WOM) 10-12

2.2 Electronic Word of Mouth Channel: Website Offering Product Review 12-13

2.3 Consumer Purchase Decision 13-15

2.4 Influence of Negative Electronic Word of Mouth 15-16

2.5 Negative Electronic Word of Mouth and Consumer Purchase Decision

- 2.5.1 Characteristics of Negative Online Review and Consumer Purchase Decision
  - 2.5.1.1 Theory Utilized – Lasswell's Communication Model 17-18
  - 2.5.1.2 Star Rating System 18-19
  - 2.5.1.3 Volume of Negative Review 19-20
  - 2.5.1.4 Depth and Length of Negative Review 20-21
  - 2.5.1.5 Negative Visual Cues 21-22
- 2.5.2 Characteristics of Negative Online Reviewer and Consumer Purchase Decision
  - 2.5.2.1 Tie Strength Between Sender and Receiver 22-24
- 2.5.3 Characteristics of Website Offering Product Review and Consumer Purchase Decision
  - 2.5.3.1 Website Reputation 25
  - 2.5.3.2 Website Information Quality 26-27

© Universiti Teknikal Malaysia Melaka

	2.6 Characteristics of Negative Online Review/Reviewer with Website Offering Product Review	27-28
	2.7 Digital Natives	28-29
	2.8 Skin Care Industry	29-30
	2.9 Research Gap	31
	2.10 Theoretical Framework	32-33
	2.11 Hypothesis Development	33-34
	2.12 Summary	34
CHAPTER 3	**METHODOLOGY**	
	3.0 Introduction	35
	3.1 Research Design	35-36
	3.2 Methodology Choice	37
	3.3 Data Source	37-38
	3.4 Research Strategy	
	3.4.1 Survey Instrument	38
	3.4.2 Questionnaire Design	38-39
	3.4.3 Sampling Method and Sample Size	39-40
	3.4.4 Pilot Test	40
	3.5 Research Location	41
	3.6 Data Analysis Tool	41
	3.7 Data Analysis Technique	41-42
	3.8 Time Horizon	43
	3.9 Summary	43
CHAPTER 4	**DATA ANALYSIS**	
	4.0 Introduction	44
	4.1 Pilot Test	44-45

© Universiti Teknikal Malaysia Melaka

4.2 Descriptive Analysis
4.2.1 Profile of Respondent
4.2.1.1 Gender 46
4.2.1.2 Age 46-47
4.2.1.3 Educational Level 47-48
4.2.1.4 Social Role 48
4.2.1.5 Experience to purchase skin care product through online 49
4.2.1.6 Experience to read the product review before buying skin care product through online 49-50
4.3 Research Question Analysis
4.3.1 The influence of negative Electronic Word of Mouth (e-WOM) on consumer purchase decision 50-56
4.3.2 The influence of characteristics of negative product review and reviewer on characteristics of website offering product review 56-61
4.3.3 Characteristics of negative Electronic Word of Mouth 61-63
4.4 Multiple Regression Analysis
4.4.1 Multiple Regression Analysis between Dependent Variable and Independent Variables 64-66
4.4.2 Multiple Regression Analysis between Mediating Variable and Independent Variables 66-68
4.4.3 Multiple Regression Analysis between Independent Variables, Mediating Variable and Dependent Variable 68-70
4.5 Hypothesis Test

© Universiti Teknikal Malaysia Melaka

	4.5.1 Hypothesis Test between Independent Variables and Dependent Variable	71-72
	4.5.2 Hypothesis Test between Mediating Variable and Dependent Variable	72-73
	4.5.3 Hypothesis Test between Independent Variable and Mediating Variable	73-74
	4.5.4 Summary for Hypothesis Testing	74-75
	4.6 Summary	75
CHAPTER 5	**DISCUSSION, CONCLUSION AND RECOMMENDATION**	
	5.0 Introduction	76
	5.1 Discussion	
	5.1.1 Discussion of Descriptive Analysis	76-77
	5.1.2 Discussion of Research Objective and Hypothesis Test	78-86
	5.2 Academic and Managerial Implication	87-88
	5.3 Limitation and Future Research Suggestion	88-89
	5.4 Conclusion	90
	5.5 Summary	91
	REFERENCE	92-112
	APENDIXES	113-146

© Universiti Teknikal Malaysia Melaka

LIST OF TABLE

TABLE	TITLE	PAGE
4.1	Reliability Test for Pilot Test	45
4.2	Analysis of respondent by gender	46
4.3	Analysis of respondent by age	46
4.4	Analysis of respondent by educational level	47
4.5	Analysis of respondent by social role	48
4.6	Analysis of respondent by experience to purchase skin care product through online	49
4.7	Analysis of respondent by experience to read the product review before buying skin care product through online	49
4.8	Analysis of respondent by the influence of Negative Electronic Word of Mouth (e-WOM) on consumer purchase decision	50-53
4.9	Analysis of respondent by the influence of characteristics of negative product review and reviewer on characteristics of website offering product review	56-58
4.10	Statistics of characteristics of negative electronic word of mouth	62
4.11	Model Summary between DV and IV	64
4.12	ANOVA for DV and IV	64

© Universiti Teknikal Malaysia Melaka

4.13	Coefficients for DV and IV	65
4.14	Model Summary between MV and IV	66
4.15	ANOVA for MV and IV	67
4.16	Coefficients for MV and IV	67
4.17	Model Summary between IV, MV and DV	68
4.18	ANOVA for IV, MV and DV	69
4.19	Coefficients for IV, MV and DV	69
5.1	Statistics of characteristics of negative electronic word of mouth	78
5.2	Summary of Analysis	81

© Universiti Teknikal Malaysia Melaka

LIST OF FIGURE

FIGURE	TITLE	PAGE
1	Consumer Buying Behavior Process	13
2	Integrated Consumer Purchase Decision Model	14
3	Lasswell's Communication Model	17
4	Althea.kr Review Site	19
5	Althea.kr Review Site	24
6	Althea.kr Review Site	27
7	Research Framework	32
8	Krejcie and Morgan sample size determination table	40

© Universiti Teknikal Malaysia Melaka

LIST OF ABBREVIATION

ABBREVIATIONS		MEANING
e-WOM	=	Electronic Word of Mouth
DV	=	Dependent Variable
IV	=	Independent Variable
MV	=	Mediating Variable
ANOVA	=	Analysis of Variance
H	=	Hypothesis
SPSS	=	Statistical Packages for the Social Science

© Universiti Teknikal Malaysia Melaka

CHAPTER 1

INTRODUCTION

1.0 Introduction

In this chapter, the background of this study will be construct and further explain the current existing situation in the specific industry as regard to the study. Besides, some currently problem that yet to be solve or yet to be settle will also be stated in this study. Next, the research objective and research question will be construct regarding to the problem statement. Significant of study and scope for this research will also be fixed in this chapter.

1.1 Background of Study

In this emerging world, internet had become the main platform to communicate and to interact. Despite act as a communication tools, it also act as a marketing channel for most of the organization to increase their competitiveness and to meet customer expectation (Tantrabundit et al, 2018). Based on a data from the World Population Statistics, the number of the internet user had increased from around 361 million in December 2000 to more than 3.6 billion users in March 2017. The internet users had exceed half of the population of the world and Asian occupied the largest part of the data (Internet World Statistic, 2017). From that we can tell the potential of the online marketing channel was limitless and ready to be explore.

© Universiti Teknikal Malaysia Melaka

Word of Mouth was ranked as the most effective information source among the sources that customer rely on during decision making process. The origin of Word of Mouth initiate from the act or idea of person-to-person having their conversation or information sharing as regard to a product or service (Sen & Lerman, 2007; Aslam et al, 2011). However, traditional word of mouth had been emerged along with the fast changing world into an entirely new form of communication tools, so called electronic Word of Mouth (e-WOM).

The consumer trend had been emerge and evolve into an internet prioritize and digitalize decade. Besides, the consumer had embraced the importance of Web 2.0 and fully utilized it in reviewing, commenting, opinion sharing and information collecting. The digital platform were include of weblogs, newsgroups, discussion forums, social network websites, review websites, and online newspaper columns.

According to a data, 77 percent of user read the reviews before making their purchase (Rodela, 2017). A study on consumer behavior also supported that the online review is the key resource for consumer to investigate what to buy and where to go (Ahmed, 2013). Many potential buyers often wait for others' review before making any purchase (Cheung & Lee, 2008). A few studies also shown that e-WOM has a strong direct effect on purchase intention and it also help them in investigating the credibility of the e-WOM (Fan & Miao, 2012; Jalilvand & Samiei, 2012). Through internet, customers can read online recommendations or reviews for the product they are interested in directly at the point of purchase, which can perceived as a key issues that affect consumer's evaluation and purchase decisions (Wang, 2011; Jalilvand & Samiei, 2012).

Unlikely with the traditional Word of Mouth, e-WOM able to present both positive and negative reviews made by the reviewer. The reviewer might be a potential, actual or former buyer for that specific product. It is a reliable source related with the customer insight which business owner or organization can used as a benchmark or measures for improvement or for corrective purpose.

© Universiti Teknikal Malaysia Melaka

Based on a research, the researcher indicate that negative word of mouth has a significant impact on consumers' attitude and purchase probability than positive word of mouth (Podnar & Javernik, 2012). Instead of only strive hard to focus on getting brand equity, the company should also aware of the impact of negative online Word of Mouth towards the business as the high brand equity can be easily diluted by the negative online reviews and the detriment effect was more important than getting improvement (Jalilvand & Samiei, 2012). The consequences of the negative Word of Mouth will also limited the influence on the effect of posting (Tantrabundit et al, 2018).

According to the data from Department of Statistics Malaysia, the age group of 15-65 was estimated to have an increase to 69.7% in 2018. Malaysia is a young nation had further indicate by the data as the median age for Malaysian is 28.3 in year 2017 and has a potential increase to 28.6 in year 2018. A term 'digital natives' was used to describe the teenage especially the Generation Y. Based on the Cambridge dictionary, digital native means the person who is very familiar with digital technology, computers, etc. because they have grown up with them. As you can tell from the meaning of the terms, digital native has an inseparable relationship with internet or digital world. The term 'digital native' is for those who are born into and raised among new technology and the original definition defined that those who born after year 1980 will be classified as digital natives (Prensky, 2001). A research was then further support the definition from Prensky (2001) and show that the rise of Web 2.0 might have create a second generation of digital natives, which is those who born after year 1990 (Ellen & Rebecca, 2009). These research had supported that most of the Malaysian can be categorized into 'digital natives'.

In the Cambridge dictionary, skin care was defined as 'things you do and use to keep your skin healthy and attractive'. In a survey that, skin care product was being categorized under cosmetic items (Yano Research Institute, 2014). According to statista.com, by the year 2024, the global skin care market was estimated to be reach 180 billion USD. The skin care industry had witnessed a shift from demand from older consumer to younger consumer base. A research also support that the global skin care market is fast growing and expansive. The researcher forecast that the global dermatology

© Universiti Teknikal Malaysia Melaka

will growing significantly from 2018 to 2028 (Pinder, 2018). A study continue indicate the powerful growth of global skin care industry by showing a data of total revenues of 78 billion USD generated from global skin care industry in year 2011 which also representing a 4.5% of compound annual growth (CAGR) during year 2007 – 2011 (Asiya & Mohd, 2013).

Besides, a findings also indicated that globalization was having a great impact on skin care industry (Swidi et al, 2010). First, internet and communication technology have changed the consumers' preference due to the change in cultural and it had further affect the consumers' behavior. Next, the cultural of modernization and urbanization had influenced consumers' lifestyle and preference, sophisticated consumer are increasingly demanding convenience and functional product and also willing pay for premium brand or more expensive product. Besides, globalization had raised the living standard and increase personal income in developing nation like Malaysia. A findings from Blomert (2009) stated that in developing nation, consumer are more willing to spend large amount of money on personal care and cosmetic product. Lastly, the role of media became important as consumer will influenced by the information they acquired from internet. Blomert (2009) also indicated that the desire of consumer to resemble their favourite star or hero will drive their purchase behavior.

In short, these data and findings had further showing the high demand and the potential of skin care market that still awaited to be seize by all the entrepreneur in the world. The purpose for this paper is to investigate the impact of negative electronic Word of Mouth on the purchase decision of digital natives in skin care industry.

© Universiti Teknikal Malaysia Melaka

1.2 Problem Statement

An assumption of negative information such as negative electronic Word of Mouth have a greater influence than positive information or more specified as positive Word of Mouth (East et al., 2008). A few studies and researches had then indicate that the assumption above was valid and they think that the negative e-WOM is more likely to influence their purchase decision than positive one (Hornik et al, 2015; Leuthi, 2016). A study also state that a company with high brand equity should not only focus on building brand image but have to beware of the impact of negative e-WOM (Jalilvand & Samiei, 2012). So it is important to investigate the impact of negative electronic Word of Mouth on consumer's purchase decision.

As we can tell from the estimation of population age statistics, Malaysian is a young nation with a median age of 28.3 years in year 2017. Next, the findings of MCMC in 2017 also shown that the online shopping activities in Malaysia had increase drastically. The survey revealed that 48.8% of internet users had participated in online shopping in 2016 and this figure was increased as compare with the year before. The survey was then further revealed that 72.3% of online shopper were from the age group of 20 – 40. This was coincide with the definition of digital natives as stated in the background of study. From these data we can strongly believe that the online shopping activities in Malaysia has an inseparable relationship with the digital natives. As the age group of 20 – 40 were promoting most of the online shopping activities, so it is important to study the purchase decision of the digital natives under the impact of negative e-WOM.

According to a research carried out in 2013, Malaysian had spent about 407 million USD on the import of cosmetics and toiletries product United States, Japan and Thailand (Hassali et.al, 2015). The survey had indicate that skin care product was the main driver for the cosmetic market in Malaysia which had contributed 226 million USD in the total value of import. This data was indicated that skin care industry in Malaysia had contribute most of the market share in cosmetic industry. It also shown the potential of consumer purchasing power for Malaysian as regard to the skin care product.

© Universiti Teknikal Malaysia Melaka

From the problem stated in the pass three paragraph, the impact of negative e-WOM on the purchase decision of Malaysian digital natives in skin care industry is worth giving a further explore.

1.3 Research Questions

To investigate how the digital native will react to negative electronic Word of Mouth in skin care industry. The impact of negative electronic Word of Mouth on digital native's purchase decision in Malaysia will be investigate from three aspects which is from review, from reviewer and from the web site offering online review.

RQ 1: What are the characteristics of negative product review?

RQ 2: What are the characteristics of negative product reviewer?

RQ 3: What are the characteristics of web site offering product review?

RQ 4: What is the relationship between the characteristics of negative electronic Word of Mouth and digital native's purchase decision?

RQ 5: Will the characteristics of negative product review and reviewer influence characteristic of website offering product review?

1.4 Research Objectives

To answer the research questions as mention above, the related research objectives as regards to each research questions was constructed as below:

RQ 1: To study the characteristics of negative product review.

RQ 2: To study the characteristics of negative product reviewer.

RQ 3: To study the characteristics of website offering product review.

© Universiti Teknikal Malaysia Melaka

RQ 4: To investigate the relationship between characteristics of negative electronic Word of Mouth and digital native's purchase decision.

RQ 5: To investigate the relationship between the characteristics of negative online review and reviewer and the characteristic of website offering product review.

1.5 Significant of Study

A finding from MCMC on 2016 determined that the percentage of internet user in Malaysia was 76.9% from the whole population which means approximately 24.6 million users up until year 2016. The survey continues to investigate the percentage of online shopping activities among Malaysian. The survey revealed that the number of internet user involved in online shopping activities increased drastically from 35.3% in 2015 to 48.8% in 2016. This data had indirectly show us that there were tons of information bulking on internet and the potential 24.6 million of digital natives can see all the online reviews on every website. The online market for Malaysia is huge and the impact of Word of Mouth is relatively enormous too. As from the information stated in the background study, electronic Word of Mouth (e-WOM) has a significant effect on consumer's purchase decision. So, it is important to raise the awareness of the impact of e-WOM in Malaysia.

Skincare industry in Malaysia was being chosen as the industry for this research as I found that the cosmetic industry in Malaysia is currently undergo a drastically change. As from the previous data that being stated in the background of study and problem statement, skin care industry in Malaysia was contributed most of the market share in the cosmetic market. It will be meaningful in further explore the impact of negative e-WOM on skin care industry to assist the entrepreneur in Malaysia in handling the issue. Furthermore, the current trend or attitude towards skin care product in Malaysia had changed. The findings from Hassali (2015) stated that women were more prioritize personal grooming product especially for the high income level group. Another trend also

© Universiti Teknikal Malaysia Melaka