

5-2018

The Influence of Word-of-Mouth on Customer Loyalty to Social Commerce Websites

Hilal Alhulail

RMIT University, Hilal.Alhulail@rmit.edu.au

Martin Dick

RMIT University, martin.dick@rmit.edu.au

Ahmad Abareshi

RMIT University, ahmad.abareshi@rmit.edu.au

Follow this and additional works at: <http://aisel.aisnet.org/confirm2018>

Recommended Citation

Alhulail, Hilal; Dick, Martin; and Abareshi, Ahmad, "The Influence of Word-of-Mouth on Customer Loyalty to Social Commerce Websites" (2018). *CONF-IRM 2018 Proceedings*. 49.

<http://aisel.aisnet.org/confirm2018/49>

This material is brought to you by the International Conference on Information Resources Management (CONF-IRM) at AIS Electronic Library (AISEL). It has been accepted for inclusion in CONF-IRM 2018 Proceedings by an authorized administrator of AIS Electronic Library (AISEL). For more information, please contact elibrary@aisnet.org.

THE INFLUENCE OF WORD-OF-MOUTH ON CUSTOMER LOYALTY TO SOCIAL COMMERCE WEBSITES

Hilal Alhulail
RMIT University
hilal.alhulail@rmit.edu.au

Martin Dick
RMIT University
martin.dick@rmit.edu.a

Ahmad Abareshi
RMIT University
ahmad.abareshi@rmit.edu.au

Abstract

The term Social Commerce (s-commerce) is used to describe an emerging trend where the seller and buyer are connected to the online social media networking. Customer loyalty is an important tool for developing future marketing business strategies in s-commerce field. Moreover, the effect of WOM on customer loyalty is also very important to the stability and sustainability of an s-commerce platform. While customer loyalty and WOM have been examined widely in different research contexts, the issue of customer loyalty in the context of s-commerce currently represents a gap in the literature. Therefore, the objective of this study is to identify the influence of WOM on customers' loyalty to s-commerce websites. This research will gather survey data and applies structural equation modeling SEM to analyze the data. The findings will provide insights for s-commerce industries in developing strategies for improved implementation of s-commerce as well as the design of s-commerce sites.

Keywords

Social Commerce, Word-Of-Mouth, Customer Loyalty, Trust.

1. Introduction

Over the past decades, online commerce transactions have been changed with the advance use of social media. The lack of social interactions between customers and businesses that existed within e-commerce is decreased through the applications of social media. By using social media consumers are able to generate and share their opinions and feedbacks with other consumers (Kempe et al., 2003). Within social media, e-commerce transaction activities have been extended by enabling consumers to interact with others and make a collaborative purchasing decision. This socially driven commerce activity is termed as s-commerce will be known as s-commerce onwards (Baethge et al., 2016). Within s-commerce, sharing consumer's experiences, opinions, recommendations and preferences on products that they have purchased become very easy and free. The literature has recorded that 83% of online shoppers are likely to share their opinions with others, and 67% of consumers make their decision to purchase based on others' reviews and comments. Such type of communication is known as word-of-mouth (WOM).

WOM is a familiar term in the literature of s-commerce. WOM within s-commerce referred to the sharing of opinions and feedbacks regarding products. Although WOM plays the main role in influencing consumers' decision to purchase products online, very little is known about its role in influencing individual's customer loyalty within s-commerce. Understanding the effect of WOM on customer loyalty is very important to the stability and sustainability of an s-commerce platform. Through continuous use and loyalty, it can ensure the act of repeating purchases and visit by customers. Within the context of s-commerce, there is a high level of competition represented by products that are rapidly introduced to the market. Gaining

competition does not only depend on the quality of the product offered but also its acceptance by the consumers as well.

Over a long time, trust has been considered as an important element in building customer relationship. Reichheld and Schefer (2000) observe that “to gain the loyalty of customers, you must first gain their trust”. Trust on s-commerce turns into customer loyalty. While the influence of trust on customer loyalty has been examined widely in different research contexts, the issue of trust on customer loyalty in the context of s-commerce currently represents a gap in the literature. Therefore, the objective of this study is to identify the influence of WOM and trust on customers’ loyalty to s-commerce.

2. Literature Review

The term S-commerce is used to describe an emerging trend where the seller and buyer are connected to the online social media networking. It is a subset of electronic commerce that supports social connection between seller and buyer (Alhulail et al., 2015). It is assisting the user contributions in the online buying and selling of products and services. Facebook and Twitter are some of the examples of online social media networking in s-commerce. Word-of-mouth (WOM) can be defined as the exchange of information and experiences online between customers that help them to make purchasing decisions (Kim et al., 2014).

Park et al. (1998) indicated that customers are more likely to buy a product based on WOM than listening to or watching an advertisement. It has been claimed that customers usually prefer to hear the WOM of others before making a purchasing decision (Brown and Reingen, 1987). Kuan and Bock (2007) found that WOM plays a more critical role in building trust in online environments than offline environments in social networking contexts. Lee and Kwon (2011) have argued that purchasing decisions based on the experiences of others result in high trust. Therefore, based on the above information on WOM in other contexts, it is logical to assume that customers of s-commerce sites are likely to trust the WOM of others, such as recommendations on social networking sites. Previous scholars have examined the influence of WOM on multiple factors. For example, Hajli et al. (2013) have demonstrated that how WOM affect consumers trust. Other scholars (Villarejo-Ramos et al., 2014) examined the influence of WOM on community commitment. Karjaluoto et al. (2014) interested in examine how customer’s intention to post WOM can influence his/her repurchase intention.

Trust has been considered one of the most important factors in s-commerce. Liang and Turban (2011) claim that trust theory can be used to study s-commerce research issues. It is critical to study trust in the context of s-commerce, as it relates to the sharing of information between customers in s-commerce (Chen et al., 2012). Customer acceptance of s-commerce is determined by trust and social comparisons between sites. As trust theory has been used to interpret the social behavior in social science, it should be appropriate for use in studying s-commerce.

3. Theoretical Framework and Hypothesis

The figure 1 presents the theoretical framework of this study. *Hypothesis 1* is adopted to explain WOM with the interest of this paper to explain how WOM positively impacts on customer trust. At the same time *hypothesis 2* constructs the integrated clarity of the mediating role of trust on the relationship between positive WOM and loyalty to s-commerce website.

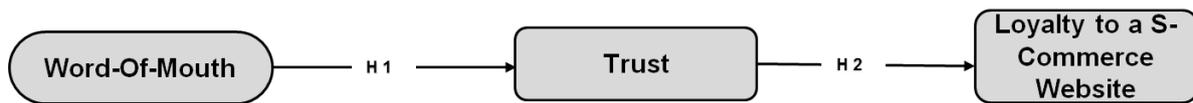


Fig 1: Theoretical Framework

Brown and Reingen (1987) examined numerous roles played by strong and weak and s-commerce ties. At the macro level, the weak ties showed a significant linking function, permitting information to transportable from one sub group of recommended user or actors to alternative sub group in the wider system of s-commerce (Brown and Reingen, 1987). At the stage of micro level, higher and homophiles ties stayed more probable to be stimulated for the stream of recommended information (Brown and Reingen, 1987). Kuan and Bock (2007), investigated the development of online user's trust encountered through possible clients of a brick and tick seller previously they visit the company online website (Kuan and Bock, 2007). Study found that offline company clients that had not ever visited a company website exposed that "word of mouth", offline clients trust, and predictable sanctioning power stayed important in developing online trust (Kuan and Bock, 2007). Positive WOM allows businesses to promote their products successfully and building long-term relationship with their customers and making them more profitable. Thus, we can say that positive WOM has to be an essential factor through which businesses can build long-term relationship with their consumers. Existing literature has shown that positive WOM shared by consumer is significant predictor of trust and customer repurchase behavior (Chen et al., 2012; Karjaluoto et al., 2014). Based on the literature on WOM given above (Kuan and Bock, 2007; Brown and Reingen, 1987; Park et al., 1998), it can be assumed that WOM positively impacts customer trust. Therefore, hypothesis one is here proposed.

Hypothesis 1. *There is a positive association between high levels of positive WOM and customer trust in an s-commerce website.*

For a long period of time customer trust had been measured a difficult task for both stakeholders in social networking in the context of s-commerce communications or dealings, these days' customer trust is another challenge for the s-commerce success. Hajli (2012c), analysed customer trust in the context of some of the s-commerce constructs, which influence the aim to purchase between individuals through suggesting and evaluating a s-commerce model known as S-commerce Adoption Model (SCAM) (Hajli, 2012c). Developing s-commerce users trust itself is a key topic impacting the phenomenal development rate of s-commerce, conferring to commerce sources and current academic studies. Anderson and Srinivasan (2003) examined the impact of consumer trust in customer loyalty to s-commerce and the comparative importance of customer trust in judgment with the broadly studied s-commerce model known as Technology Acceptance Model (TAM) beliefs. Study indicates that certainly, WOM, affects customer faith and trust and that the faith alternately has a tougher impact on buying intentions and loyalty. Moreover, managing s-commerce and electronic services demands for organizing and controlling the trust that is stimulated in the purchaser experience skill on the s-commerce website. Based on the literature on trust referenced above, hypothesis two is here proposed.

Hypothesis 2. *There is a positive association between customer levels of trust and customer loyalty in an s-commerce website.*

4. Methodology

The previous section of this study have outlined the theoretical background and built a research model. This section will discuss the methodology that has been followed in this study. The study is based on quantitative approach. Structural Equation Modeling (SEM), as a second generation statistical analytical tool, will be used in this study for data analysis. SEM analyzes the reliability and validity of latent variables in the measurement model and evaluates the relationships among different latent variables concurrently in the structural model (Hair et al., 2012b). Therefore, SEM incorporates both factor analysis and regression analysis in one analysis, and becomes a sound analytical to researchers (Gefen et al., 2000).

This study aims to involve as many s-commerce customers as possible. Therefore, the study's survey will be web-based. It will employ a cross-sectional method for the survey, with a structured questionnaire used to collect data. The aim is to have 1000 participants of s-commerce websites users in Australia. The participants will be selected randomly from those over 18 years of age. The participants will be asked about 15 s-commerce websites in Australia (such as Kogan, eBay, Amazon, Target, Booking.Com and Gumtree).

5. Outcome of the Study and Conclusion

This paper will identify the relationship between WOM and customer loyalty to s-commerce. WOM is the most important factor which influence customer loyalty. It is argued that people can influence and be influenced by other known and trusted people's knowledge and experiences. This paper will also identify the relationship between WOM and trust. Trust can be generated through the perception of WOM. Customer trust is important in the field of s-commerce which influences loyalty to s-commerce. The findings will provide insights for s-commerce industries in developing strategies for improved implementation of s-commerce as well as the design of s-commerce sites.

References

- Alhulail, H., Dick, M. & Abareshi, A. An investigation of customers' loyalty to social commerce websites. e-Business and Telecommunications (ICETE), 2015 12th International Joint Conference on, 2015. IEEE, 88-93.
- Anderson, R. E. & Srinivasan, S. S. (2003). E-satisfaction and e-loyalty: A contingency framework. *Psychology & marketing*, 20, 123-138.
- Baethge, C., Klier, J. & Klier, M. (2016). Social commerce—state-of-the-art and future research directions. *Electronic Markets*, 1-22.
- Brown, J. J. & Reingen, P. H. (1987). Social ties and word-of-mouth referral behavior. *Journal of Consumer research*, 350-362.
- Chen, S.-C., Yen, D. C. & Hwang, M. I. (2012). Factors influencing the continuance intention to the usage of Web 2.0: An empirical study. *Computers in Human Behavior*, 28, 933-941.
- Gefen, D., Straub, D. & Boudreau, M.-C. (2000). Structural equation modeling and regression: Guidelines for research practice. *Communications of the association for information systems*, 4, 7.
- Hair, J. F., Sarstedt, M., Ringle, C. M. & Mena, J. A. (2012b). An assessment of the use of partial least squares structural equation modeling in marketing research. *Journal of the academy of marketing science*, 40, 414-433.
- Hajli, M. Social commerce adoption model. Proceedings of the UK Academy of Information Systems Conference, 2012c.

- Hajli, M., Hajli, M. & Khani, F. Establishing trust in social commerce through social word of mouth. *e-Commerce in Developing Countries: With Focus on e-Security (ECDC)*, 2013 7th International Conference on, 2013. IEEE, 1-22.
- Karjaluoto, H., Munnukka, J. & Tikkanen, A. Are Facebook Brand Community Members Really Loyal to the Brand? *Bled eConference*, 2014. 28.
- Kempe, D., Kleinberg, J. & Tardos, É. Maximizing the spread of influence through a social network. *Proceedings of the ninth ACM SIGKDD international conference on Knowledge discovery and data mining*, 2003. ACM, 137-146.
- Kim, Y., Chang, Y., Wong, S. F. & Park, M. C. (2014). Customer attribution of service failure and its impact in social commerce environment. *International Journal of Electronic Customer Relationship Management*, 8, 136-158.
- Kuan, H.-H. & Bock, G.-W. (2007). Trust transference in brick and click retailers: An investigation of the before-online-visit phase. *Information & Management*, 44, 175-187.
- Lee, Y. & Kwon, O. (2011). Intimacy, familiarity and continuance intention: An extended expectation–confirmation model in web-based services. *Electronic Commerce Research and Applications*, 10, 342-357.
- Liang, T.-P. & Turban, E. (2011). Introduction to the special issue social commerce: a research framework for social commerce. *International Journal of Electronic Commerce*, 16, 5-14.
- Park, J., Cha, S. & Lee, S. (1998). The moderating role of relationship quality in the effect of service satisfaction on repurchase intentions. *Korea Marketing Review*, 13, 119-139.
- Reichheld, F. F. & Schefter, P. (2000). E-loyalty: your secret weapon on the web. *Harvard business review*, 78, 105-113.
- Villarejo-Ramos, Á. F., Sánchez-Franco, M. J., García-Vacas, E. M. & Navarro-García, A. 2014. Modelling the Influence of eWOM on Loyalty Behaviour in Social Network Sites. *Strategies in E-Business*. Springer.