
Identification of Factors Influencing Tendency of Customers towards Internet Word-of-Mouth Communication; Case Study of Users of Iran Insurance Company Website

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ABSTRACT

Word-of-mouth is playing an important role in marketing to the extent that some of marketers believe that this form of advertising is among the most effective and efficient ones. With respect to importance of this issue and significant role of word-of-mouth in today marketing it seems necessary to manage this phenomenon in an effective way and exploit its benefits with taking appropriate actions. In present research it was tried to identify factors influencing spread of online word-of-mouth. To this end, six hypotheses were formulated. After introducing general framework of present descriptive research, data were collected using library and field methods. In order to collect data using field study, a questionnaire with 21 items was developed and distributed to statistical population of the research. The mentioned statistical population comprised of customers with experience of purchasing services from Iran Insurance Company in Khuzestan Province. Then completed questionnaires were analyzed using student's t-test with software LISREL. Results showed that knowledge self-efficacy, sense of belonging and enjoyment of helping others influenced internet word-of-mouth.

Keywords: Word-of-Mouth, Reputation, Sense Of Belonging, Knowledge Self-Efficacy, Moral Obligation.

Introduction

Word-of mouth is of high importance to marketers. Previous studies on this issue show that word-of mouth has prominent effect on purchasing behavior of consumers of goods and services. What others say on your brand is obviously more important than what you say about it. But despite significance of word-of-

mouth, marketers have ignored active management of this phenomenon and consider it out of their control. Mangold et al (1999) found that only 2 percent of word-of-mouth communication was an outcome of organizational marketing and relationship efforts (Abdolvand and Ghaffari Ashtiani, 2009, p.37). On the other

hand, today with increasing spread of web-based technologies and globalization of internet and e-commerce, also marketers seek opportunities to sell their products using these technologies (Cheung et al, 2008, p.231). Integration of these two issues, i.e. importance of word-of-mouth on one hand and appearance and spread of web-based technologies (such as internet) on the other hand led to emergence of internet word-of-mouth concept. In this process word-of-mouth moved away from its traditional form and entered into electronic environment. Using media such as online forums, electronic bulletins, news groups, weblogs, websites and social networks in this environment, all people can exchange their opinions on products with unfamiliar others from any geographical location (Cheung and Lee, 2012, p.218). Therefore today e-businesses have quickly focused on internet word-of-mouth and seek to increasingly exploit it. Thus identifying factors influencing tendency of customers towards word-of-mouth communication with respect to e-businesses is of significant importance. Present research addresses factors influencing internet (online) word-of-mouth among customers with experience of purchasing from Iran Insurance Company' website in Khuzestan Province.

Literature Review

Word-of-Mouth

Term of "word-of-mouth" was used by William White in a classic marketing study in Fortune about 40 years ago for the first time. Though study of social networks has been extensive in sociology, but in recent years it has been increasingly focused by marketing researchers because its significant effects on customers' behavior have been revealed (Panahi and anani, 2012, p.45). Word-of-mouth is among the

most important information sources (or actually the most important one) available to customers. This form of advertising can be considered as one of the major ways of interpersonal relationships or informal conversation used by people to share their opinions and views about products, services and brands. Word-of-mouth refers to informal exchange of information on purchasing and consumption of products between people and is divided into positive and negative forms (Ghaffari Ashtiani and Moharram, (2012, p.3). word-of-mouth means interpersonal relationship between consumers in which they share their personal experiences and evaluations about consumption of products or firms (Zhang et al 2010, p.695). Bone (1995) argued that word-of-mouth is personal relationship between people who are not affiliated with the organization offering the intended products and acquire no material benefits from their advertising (Huang and Yang, 2011). Also Harrison and Walker (2001) defined word-of-mouth as informal person-to-person communication between a perceived non-commercial communicator and a receiver about a brand, product, organization or service (Jeong and Jang, 2011, p. 357).

Key factors influencing word-of-mouth

Personal factors: credibility, validity, opinion leadership, experience, previous perceptions about organization

Interpersonal factors: power requirements
 Message characteristics: message clarity, message deliverability, nonverbal communication

Situational factors: low risk of product\situation, low complexity of service\multiple separate sources, lack of information in receiver

Above factors are considered as factors influencing word-of-mouth

communication resulting in low risk of purchase, improved perceptions about organization, improved psychological conditions and gaining more benefits from purchase (Ghaffari Ashtiani, 2009, p.65).

Importance of Word-of-Mouth

Word-of-mouth has become one of the major research subjects during recent 50 years. Research findings show that word-of-mouth has great effects on market. Particularly word-of-mouth has more effects than traditional marketing when choosing products or market penetration of new product (Martin and Lueg, 2011, p.1). It is believed that positive word-of-mouth is an influencing factor relating to customer attraction. There is significant credible literature on importance of word-of-mouth for marketing and customer behavior. Value of word-of-mouth is understood when its effects are seen on potential and actual purchasers. Positive talks and interpretations by satisfied customers can increase purchases and vice versa. There are many reasons for customers' engagement in word-of-mouth. Dichter (1966) identified four major motivational factors leading to positive word-of-mouth:

Product-involvement

Self-involvement

Other-involvement

Message involvement

Thus he found that an individual may be motivated by another one and listens to and follows his\her advices because:

The other person has good knowledge about product

The other person gives required information to him\her

An intimate communication is established between the listener and the communicator

The communicator concerns about health and comfort of the listener and because of

the same fact gives him\her that information (Andreassen & Streukens,2009, 251)

There is strong theoretical support about the effect of word-of-mouth on customers' requirements. Bannerjee presented models showing that people are influenced by opinions of others. Also it has been argued that word-of-mouth communication among families, peers and friends is among the most important ways for choosing goods and services. Positive word-of-mouth leads to reduced marketing costs and may results in increased income if new customers can be attracted. There is a good reason for more effectiveness of word-of-mouth than other communication channels. Katz and lazarsfeld stated that personal influence and word-of-mouth are seven times more effective than advertising in journals and newspaper with respect to encouraging housewives to switch their brands of their home appliances and products. Similarly Bill and Roger found that interpersonal resources are among the most important ways to induce housewives to try new products and switch their supermarkets. Also Harrer et al stated that word-of-mouth communication is more influential than printed product information. Thus firms increasingly try to exploit power and influence of word-of-mouth advertising (Ghaffari Ashtiani, 2006).

Electronic Advertising

Effectiveness and power of traditional word-of-mouth communication are demonstrated by various researchers and they concluded that word-of-mouth played a major role in making decisions on purchasing products. Also it was showed that word-of-mouth was more effective than traditional marketing tools for selling products (Cheung et al, 2008, 230). Internet and IT have provided numerous

opportunities for consumers to write their evaluations on products to inform others. For example Amazon.com has allowed its customers to provide online comments on its products since 1995 and these comments can be viewed by other customers (Zhang et al, 2010, 695). For these reasons electronic word-of-mouth (e-WOM) is a very important source of providing useful information on products (Lee & Lee, 2009, 302). E-WOM refers to word-of-mouth communication in electronic environment or in other words it means word-of-mouth communication related to purchasing or receiving online services. Term of "word-of-mouth" was used by William White in a classic marketing study in *Fortune* about 40 years ago for the first time. Though study of social networks has been extensive in sociology, but in recent years it has been increasingly focused by marketing researchers because its significant effects on customers' behavior have been revealed (Ghaffari Ashtiani, 2009, 8). Relying on internet, effect and power of word-of-mouth increases to a great extent and people can easily inform others about their own opinions. In recent years, web-based world is shifted from connections between firms and customers towards friend-to-friend connections and in this form of communication people exchange their information with others (Zhang et al, 2010, 694). It should be noted that messages of word-of-mouth communication are not always positive ones. A positive message may attract attention of new customers while a negative one including customer's complaints about product may have negative consequences for a firm (Huang & Yang, 2011, 4216). Thus word-of-mouth may be both positive and negative and in present study positive one is considered. Positive word-of-mouth (pWOM) realizes

when an individual says good things to others about electronic services. Many marketing professionals consider pWOM as one of the most powerful marketing tool especially when it is stems from a familiar and trusted person. Positive word-of-mouth, money back plans and cooperating with established business agents are among effective techniques to reduce risks. One factor influencing word-of-mouth communication is customer loyalty. This factor has positive effect on pWOM. Satisfaction, loyalty and word-of-mouth are among factors influencing customer behavior and play key roles in developing organizational productivity and profitability. Also such concept as trust and accessibility are influential in providing services through internet channels. Employing active and dynamic methods with respect to word-of-mouth (as an aggressive strategy) including preparation of appropriate grounds to induce feeling of involvement with and participation of people in organization may encourage customer loyalty and pWOM (Ghaffari Ashtiani, 2009, 8). Word-of-mouth is usually considered more important for services than for products. Services are of empirical nature and it is difficult to evaluate them before purchase. Characteristics of services (such as intangibility, heterogeneity and simultaneity of production and consumption) force customers to pay more attention to others' views before purchasing them. Therefore perceived risk is more in the context of service purchasing than buying products. Thus service customers are more likely to trust word-of-mouth when making purchasing decisions. Managers are interested in word-of-mouth because often consider it as a major driving factor with respect to consumer behavior.

Methodology

Research Theoretical Framework

According to current literature, it has extensively been established that firm's reputation is an important and effective factor with respect to showing behavior of information sharing. People share their information and knowledge because they want to show themselves as knowledgeable and professional people in the society. Naturally consumers share information on those products and firms who are familiar with and have adequate information on them (H1) (Cheung and Lee, 2012, 220). Another determining factor of individual behavior is reciprocity. When people do not know each other, a determining factor with respect to showing behavior of information sharing is expectation of reciprocity. A person who offers to help another, expects him\her to reciprocate this behavior. Research shows that people who seek to share information, expect to receive information in return. Thus reciprocity is considered as an influential factor with respect to information sharing (H2) (Cheung and Lee, 2012, 221). Collectivism refers to tendency of people to participate in groups and communities. In other words more collectivist people have more desire to share their information with other group members (Zhang et al, 2010, 695). Generally collectivism may be considered in relation to social identity theory because based on this theory people derive their social identity from their groups. When people feel and introduce themselves as members of a group, they are more willing to make themselves known to other members of the group. In this context, sense of belonging means one's feeling of emotional engagement with a group. When people have such a feeling, they consider other members'

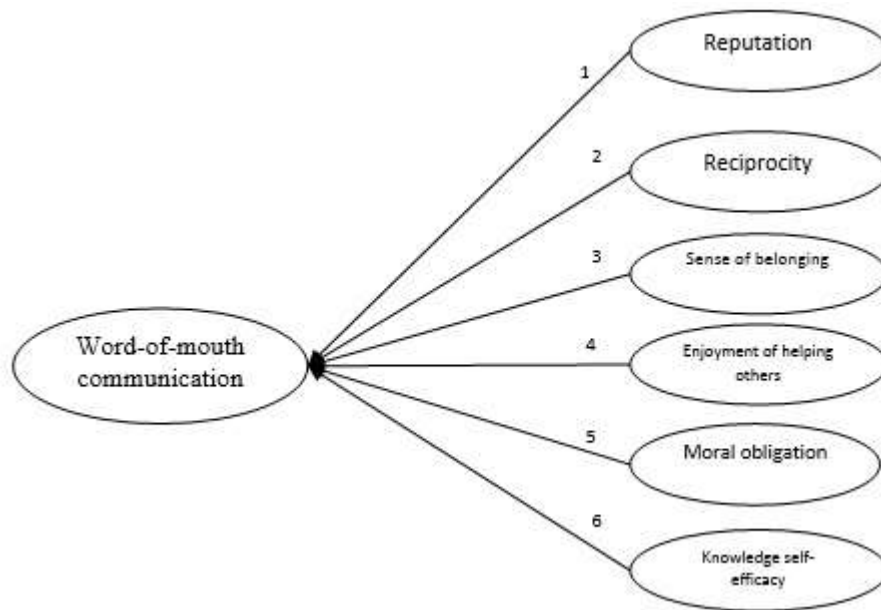
benefit and loss as their own benefit and loss and do not like to see other members of the group make inappropriate decisions and incur losses. Thus they share their information with other members in the context of purchasing decision (H3). Consumers may share their information with others solely because the others need that information. It means that the only purpose of the communicator is to help others. Many researchers considers enjoyment of helping others as a determining factor influencing people tendency to share information (H4). Moral obligation refers to the extent of people obligation to protect interests of the society. The more an individual concerns about interests of the society, the more is his\her tendency to share information to guide society members while making major purchasing decisions. Specifically when an individual is a member of a group and has great moral obligation to it, he\she is more willing to share his\her information with other members (H5) (Cheung and Lee, 2012, 221). Self-efficacy refers to one's judgment of him\herself. It refers to one's belief in one's ability to do the intended activity. Principally those who seek to involve in online word-of-mouth should have sufficient computer and internet skills. Thus it is hypothesized that the more an individual has computer and internet skills, the more is his\her willing to engage in word-of-mouth communication (H6) (Martin and Lueg, 2011, 3). Conceptual model of research is shown in Figure 1. Figure 1. Conceptual model of research (Cheung and Lee, 2012, 220).

Research Hypotheses

H1. Firm's reputation has a positive significant relationship with word-of-mouth communication

H2. Reciprocity has a positive significant relationship with word-of-mouth

communication



H3. Sense of belonging has a positive significant relationship with word-of-mouth communication

H4. Enjoyment of helping others has a positive significant relationship with word-of-mouth communication

H5. Moral obligation has a positive significant relationship with word-of-mouth communication

H6. Knowledge self-efficacy has a positive significant relationship with word-of-mouth communication.

Statistical Population and Sample Size

Statistical population of present research consisted of all customers with experience of purchasing insurance products and services through Iran Insurance Company website. Generally for models being tested by structural equation modeling, choosing a sample above 200 respondents is sufficient (Barrett, 2007, 820; Joreskog, 2004, 22). On the other hand in structural equation modeling, sample size can be chosen between 5 and 15 observations per

every measured variable i.e. $5q \leq n \leq 15q$ where:

Q= number of observed variables (questionnaire items) and

N= sample size

Questionnaire used in present study consisted of 21 questions. Thus by assuming 5 observations per item, sample size should be equal to 105 and by assuming 15 observations, the required size is 315. Thus in present research, 315 copies of research questionnaire were distributed to customers using simple random sampling method and 310 questionnaires were returned (response rate 0.98).

Methods and Instruments for Data Collection

In present research data were collected using field method by surveying customers of Iran Insurance Company. Questionnaire was the instrument used for data collection. Questionnaire of present study consisted of 21 items based on 5-point Likert scale. To verify questionnaire

reliability, Cronbach's Alpha was calculated. To this end at first 30 questionnaires were distributed and after collecting completed copies, Alpha was calculated using software SPSS. It was equal to 0.86 verifying reliability of questionnaire used in present research. To demonstrate validity of questionnaire, confirmatory factor analysis was used.

Thus by assuming confidence level of 95%, factor loadings having t-statistics with absolute values higher than 1.96 were considered significant and their items remained in the model (Casalo et al, 2008, 409). According to the results shown in Table 1, t-values were significant for all questions of the questionnaire. Therefore all of them remained in the questionnaire.

Table 1. Factor loadings and t-values of questions

Questions	Factor loadings	t-values
Q ₁	1.17	15.77
Q ₂	1.01	13.45
Q ₃	0.63	10.52
Q ₄	0.79	14.74
Q ₅	0.83	15.51
Q ₆	0.78	14.80
Q ₇	0.84	15.53
Q ₈	0.89	18.07
Q ₉	0.68	11.62
Q ₁₀	0.78	15.88
Q ₁₁	0.78	14.72
Q ₁₂	0.79	16.52
Q ₁₃	0.81	15.73
Q ₁₄	0.80	14.51
Q ₁₅	0.83	15.77
Q ₁₆	0.82	14.98
Q ₁₇	0.72	*
Q ₁₈	0.79	12.62
Q ₁₉	0.86	13.04
Q ₂₀	0.99	12.52
Q ₂₁	0.90	11.48

Analysis Method and Research Results

In present research, data were analyzed using inferential statistical techniques which included structural equation modeling (confirmatory path analysis) and confirmatory factor analysis and software LISREL was exploited. After conducting confirmatory factor analysis and ensuring significance of coefficients between latent variables (factor loadings) and measured variables (questionnaire items) and also after ensuring model fitness, research

hypotheses were tested. To this end, using Student t-test, path coefficients between latent variables were tested. Since in present research a 95% confidence level or a 0.05 error level were selected, positive path coefficients with t-values higher than 1.96 were considered significant and research hypotheses associated with them were supported. Results of testing research hypotheses can be seen in Table 2 and Figure 2.

Table 2. Results of research hypothesis analysis

Hypothesis	Path coefficients	t-values	Results
H1. Firm’s reputation has a positive significant relationship with word-of-mouth communication	0.04	0.6	Reject
H2. Reciprocity has a positive significant relationship with word-of-mouth communication	-0.01	-0.11	Reject
H3. Sense of belonging has a positive significant relationship with word-of-mouth communication	0.38	4.98	Not Reject
H4. Enjoyment of helping others has a positive significant relationship with word-of-mouth communication	0.16	2.02	Not Reject
H5. Moral obligation has a positive significant relationship with word-of-mouth communication	0.06	0.65	Reject
H6. Knowledge self-efficacy has a positive significant relationship with word-of-mouth communication	0.19	2.76	Not Reject

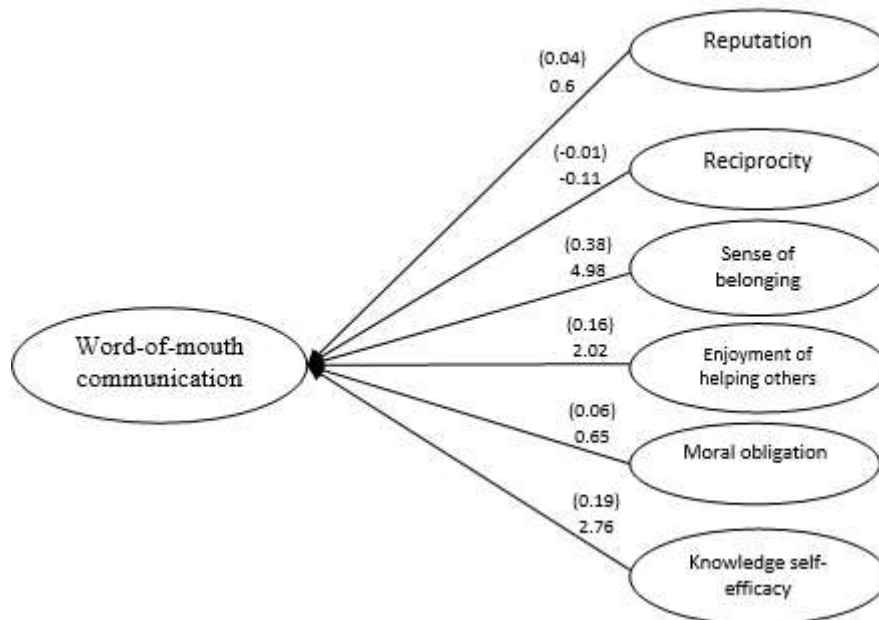


Figure 2. Related Results

Conclusions and Recommendations

Present research sought to study factors influencing internet word-of-mouth communication. Reputation, reciprocity, sense of belonging, enjoyment of helping others, moral obligation and knowledge self-efficacy were chosen as variables having influence on encouraging people to engage in positive word-of-mouth communication. Present research was an

applied-causal study. Its statistical population comprised of all customers having experience of purchasing through Iran Insurance Company website. Questionnaire was used to collect data and included 21 items. Reliability and validity of it were respectively verified using Cronbach’s Alpha and confirmatory factor analysis. Calculated alpha showed appropriate reliability of questionnaire and factor loadings and t-values

demonstrated questionnaire validity. Data analysis showed that three factors including sense of belonging, enjoyment of helping others and knowledge self-efficacy had positive and direct effect on tendency to engage in word-of-mouth communication. However effects of reputation, reciprocity and moral obligation on internet word-of-mouth were not confirmed. Therefore the more a person feels sense of belonging to a group, the more he/she is willing to engage in word-of-mouth communication. Also enjoyment of helping others influences tendency to spread word-of-mouth. According to the obtained results the following recommendations are suggested:

Encouraging Company's customers to spread word-of-mouth for example giving prizes to customers who introduce two new ones.

Considering customer bonuses. For example customers may be given a free item after purchasing 10 items.

Focusing on a target group with high potential of engaging in word-of-mouth communication. By targeting these groups, products can quickly be introduced to potential customers in electronic environments

Focusing on distinctive features differentiating Company's products from those of competitors in advertising activities to provide an appropriate basis for comparison.

Conducting periodical advertising to check the extent to which the intended product is recognized by consumers

Explaining importance of word-of-mouth communication to Company's employees.

Clarifying importance and effective role of employees in final quality of products and in turn in word-of-mouth communication by consumers.

Granting membership card to members of Iran Insurance Company website

Providing special benefits to website members who purchase through website
 Providing a plan for customers inquiries
 Providing a tutorial for website navigation and explaining the way of purchasing through website

Preparing appropriate environment for word-of-mouth communication e.g. setting up a chat room so that customers can exchange their ideas and information

Suggestions for future Research

Future research may test structural model of present study using other brands to identify its strengths and weaknesses to take a step towards improvement or modification of the model so that it can be adapted to its local context.

Future studies may add new variables to the model to assess effect of these new variables. For example they can introduce age and gender as moderating variables

Conducting similar research with a larger sample in other cities of Iran to enhance generalizability and validity of findings

Using instruments other than questionnaire to collect data

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