

Factors Affecting Electronic Word-of-Mouth (E-WOM) Usage on the Customer Purchase Intention: An Investigation on Beauty Market

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Abstract

The purpose of this study is to understand which factors influence on using E-Word of mouth (E-WOM) in purchase intention towards beauty products. The data was collected from 299 respondents in Thailand and Taiwan and was analyzed by confirmatory factor analysis in LISREL 8.8. The result of the model testing indicated that expertise and experience of the source do not influence on E-WOM usage. Conversely, trustworthiness, attractiveness, similarity, and familiarity of the source significantly influence on E-WOM usage. Implications for beauty industry firms and suggestions for future study are provided.

Keywords: Electronic word of mouth, purchase intention, beauty market

1. Introduction

Beauty and personal care industry is one of the industries that is continuously growing and fast expanding. In 2014, the beauty industry was making 460 billion USD worldwide and was predicted to be growth with 6.4% rate and reach 675 billion USD by 2020. In 2016, the beauty and personal care industry in Asia Pacific has market value at 141 billion USD. The beauty product market in Thailand was valued 1.87 trillion THB (approximately 59 billion USD) with 7.9% growth rate. Meanwhile, the beauty market in Taiwan was valued 1.2 million NTD (approximately 40,000 USD) with 2.7% growth rate. This industry tends to be continuously growing because of consumer value nowadays. They gained more income, want to improve their self-image and had more concern about health which make them looking for the beauty and personal care product. Furthermore, there is a tendency that beauty product's consumer will be younger which start from 12-14 years old. The important reason for this tendency is the growth of social media which make consumer access to information faster and communicate with brands easily.

Social networking site in present is application or platform that use to create a relationship between people all over the world by social media (content) from people which are blogs, videos, photos, news, podcast, or even their identities. Statista website reported that over 4 billion people were used internet actively worldwide and 1.3 billion internet users are from East Asia and Southeast Asia region. Brands become aware of the coming of these new technology trends, so they turn to communicate with customers via internet because this channel is the popular channel for customers to searching for information about their products or brands, which can do it anytime anywhere without any cost. Brands also can upload photos, texts, video, and etc. to share it to people who interest in their product and can get feedback from them as well. Besides, the social networking sites create communities that people share their interesting together like beauty product user community and they can share the information or their good or bad experience about product which they can be anyone, professionals, skin doctors, celebrities, beauty influencers, or even normal users. These contents on communities obviously effect on beauty product companies in negative and positive results but it not evident that sharing information or experience about beauty product will effect on purchase intention or sources of information have credibility or not. Nowadays, interaction talk or interpersonal communication is the effective marketing tools that called buzz marketing or word of mouth marketing (WOM).

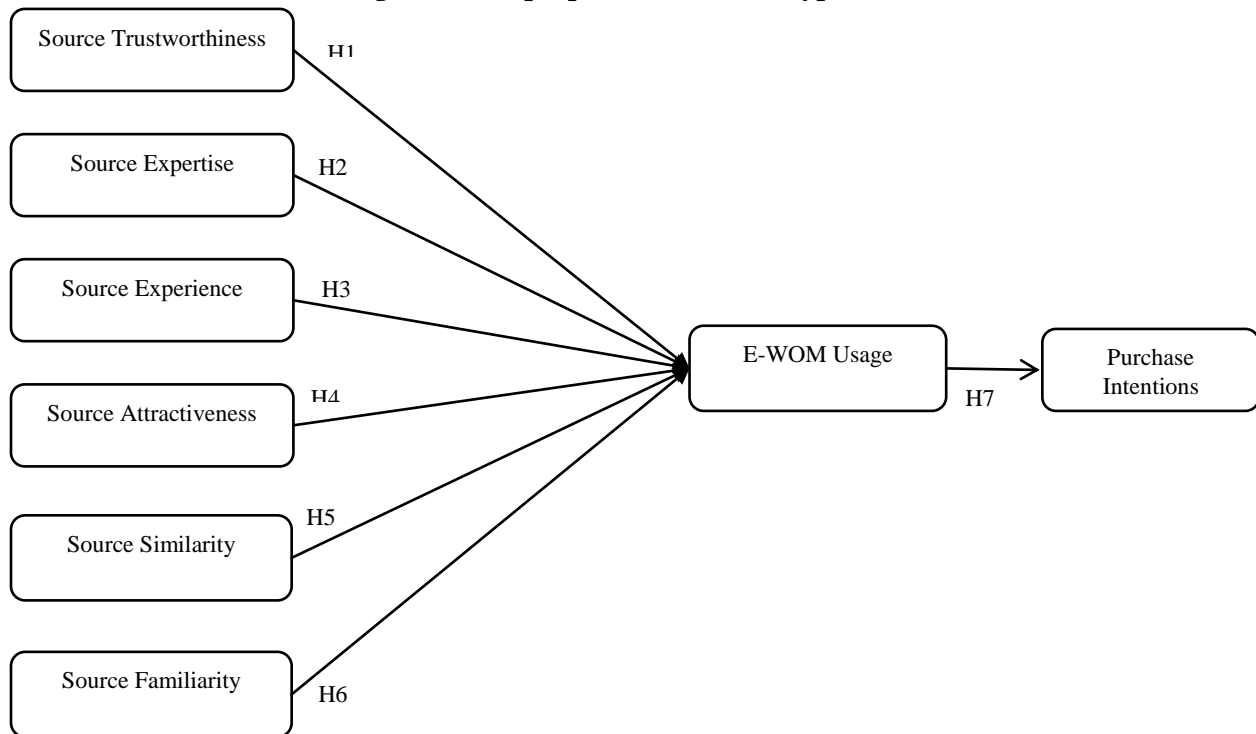
This kind of communication has the impact on customer’s purchase decision making because receiving product information from intimate or familiar people has more credibility more than receive from advertisement. WOM also can spread information or news broadly. This tool can help to make more sales to the company with low cost but this communication is not formal. For this reason, WOM has both pros and cons. If customers have good experience with the product, they will pass it along positively and make good reputation to the company, but on the other hand, it can also make a bad reputation if customers share negative comment or experience about products which it spread more quickly than positive WOM. Since the technology and internet be a part of people’s life, customers communicate with each other across the world more easily with internet device or smartphone. The network was created to connect people who have common interest together with website or community platform on the internet. This technology is quick, easy and cost and time saving to disperse content everywhere, and people can also have two way communication. The communication originally called “word of mouth” (WOM) was developed to “electronic word of mouth” (E-WOM) which are people-to-people communication via the internet or social networking site. To make the purchase decision, customers can easily to search product information on the internet includes other people’s product experience or comment before making their mind. Nowadays, anyone can be the source of information, anyone can share their E-WOM on the internet, and anyone can access to that content on the internet. Then, what kind of source that customer will use their E-WOM when they make their purchase decision. Thus, this study will investigate factors that influence on using E-WOM in the purchase intention.

2. Literature review

2.1 Electronic Word-of-Mouth Usage

Word of mouth (WOM) is unofficial communication between customers to customers about products or services (Liu, 2006) which can be the interpersonal conversation or even recommendation brands or products to other customers. This kind of communication will be more efficient when it passes through the internet which was termed as electronic word of mouth (E-WOM). E-WOM can possibly be negative or positive content about products which came from existing customers, prospect customers or who use to be customers. This online communication can quickly spread aboard more than other marketing communication. Some specific feature of E-WOM can be more easily measured compared with traditional word-of-mouth or face-to-face communication. Martin and Lueg (2013) stated that listeners make use of E-WOM from speakers in their purchase intention is conceptualized as E-WOM usage. The proposed model and hypotheses is shown in Figure 1.

Figure 1. The proposed model and hypotheses



2.2 Source Trustworthiness

Source trustworthiness was defined as the level of reliability of the information source (Pornpitakpan, 2004). With the rising popularity of the internet nowadays, the credibility of the source is influencing our lives more than before. Trustworthiness is a common factor that creates credibility to source and gains more acceptance of the message from the audience. The message that delivered by trustworthy sources has more impact on attitudes and receive acceptance from customers more easily (Kautsar et al., 2012).

H1: Source Trustworthiness positively effects on E-WOM Usage.

2.3 Source Expertise

In addition to trustworthiness, expertise has positively impacted on the source's ability to communicate. Source expertise was defined as the E-WOM source is qualified that they are skillful and have knowledge of subject what they are expert in (Braunsberger and Munch, 1998). The E-WOM source should be trained or hold important information in their field to show that they have more expertise than other people.

H2: Source Expertise positively effects on E-WOM Usage.

2.4 Source Experience

Source experience was defined as a level of familiarity between the source and product/service which come from real usage. From audiences' aspect, they believe that the E-WOM source which has experience, they actually used products or services before giving their opinion or information about it (Braunsberger and Munch, 1998).

H3: Source Experience positively effects on E-WOM Usage.

2.5 Source Attractiveness

The attractiveness of source can intensify the effectiveness of the speaker's communication. Feingold (1992) find that attractive people have more chance for social interaction. Most of the attractive people have comparatively good communication skills (Mobius and Rosenblat, 2006) and people will positively react to their inducement.

H4: Source attractiveness positively effects on E-WOM Usage.

2.6 Source Similarity

Source similarity was defined as the likeness between the source and the audience who obtain the E-WOM (Roy, 2006) which include similar viewpoint, common appearance and common personality with the E-WOM source.

H5: The similarity between the source and the audience positively effects on E-WOM Usage.

2.7 Source Familiarity

Source familiarity was defined as the awareness of source is perceived by public (Roy, 2006) which mean the source is recognized and known by people or customers. Due to technology nowadays, anyone can be the source of E-WOM anytime but it is not every source be well known and be recognized because of a large amount of the source on the internet.

H6: The familiarity between the source and the audience positively effects on E-WOM Usage.

2.8 Purchase Intention

Keller (2001) defined purchase intention as a feeling of customer that was convinced to purchase product or service which make the customer satisfied or perceive the difference of product from others. Purchase intention is relevant to several factors such as the customer behavior, attitude, and perception of products or services (Mirabi et al., 2015).

H7: E-WOM Usage positively effects on purchase intention.

3. Methodology

This study aims to understand which factors influence on using E-Word of mouth in purchase intention investigate on beauty products. To accomplish this purpose, we tested a research model by creating a questionnaire as a tool to collect data from samples. The questionnaire of this study was developed in 3 languages: English, Thai, and Chinese and was distributed in Thailand and Taiwan. Respondents were asked to watch a product review video from a beauty influencer who is popular in each country before starting answer the questionnaire. Two videos that were selected are about reviewing a popular lipstick from the different brand in each country.

Research questions contain 3 parts. The first part was developed to measure six factors that may be influential (source trustworthiness, source expertise, source experience, source attractiveness, source similarity and source familiarity), E-WOM usage and purchase intention which consist of 30 items. All of 30 questions were measured on 5 points Likert scale, ranging from “strongly disagree” (1) to “strongly agree” (5). Twenty-three items were adopted from (Peetz, 2012) to measure six factors which selected from the source credibility model and the source attractiveness model, three original items were developed to measure electronic word of mouth usage and four items was developed by Zeng (2008) to measure purchase intention. The second part includes personal data questions which are gender, age, and income. The other part was designed to examine internet usage pattern of the respondent.

3.1 Sample

The sample for this study is internet users who normally use and purchase beauty product. A total of 352 questionnaires were distributed in 2 country: Thailand and Taiwan. 299 usable responses were collected. The Thai version of the questionnaires was distributed through online channel randomly. Most of the Thai version questionnaire was distributed on Twitter via beauty product review hashtag which this tweet has 11,225 impressions means this tweet has views from another twitter account 11,225 times and has 244 online questionnaire’s link clicks which means this questionnaire was distributed to 244 respondents. The data collected from 194 respondents individually which are 79.5%. The Chinese version of the questionnaire was distributed to 108 Taiwanese business administration students individually in classroom in National Formosa University and collected 105 complete and valid responses which are 97.2%.

3.2 Method

Descriptive statistics were analyzed in Statistica 10 software to compile personal data and internet usage pattern results in form of frequency and percentage. To test the hypothesis, confirmatory factor analysis (CFA) was used in this study which analyzes it by Linear Structural Relationships (LISREL) 8.8 software. This software fit for evaluating the model that use observed and latent variables. Covariance matrix was required as the input data while using LISREL software to analyze confirmatory factor analysis (CFA), so the average result was transferred to Microsoft Excel for creating covariance matrix.

4. Analysis and Result

4.1 Descriptive Statistics

According to Table 1, A total of 299 respondents consisted of 194 (64.88%) Thai and 105 (35.12%) Taiwanese. Most of them were female which are 96.32% (288 respondents) and 3.68% (11 respondents) were male. The majority of respondents were aged between 20 to 25 (62.54%), followed by 25.42% aged under 20, 6.35% aged between 26 to 30, 2.68% aged 31 to 40, 2.68% aged over 50, and 0.33% aged between 41 to 50. Monthly income ranged from less than \$300 (61.87%), \$301-\$450 (12.04%), \$601-\$990 (9.36%), \$451-\$600 (8.70%), and more than \$990 (8.03%), respectively.

The approximately time respondents spent on the internet per day in past week was (64.21%) more than 4 hours, followed by 17.06% spent 3-4 hours per day, 14.28% spent 2-3 hours per day, 4.01% spent 1-2 hours per day, and 0.33% spent less than 1 hour per day. The greatest part of respondents used the internet to seeking information about beauty product before purchase very often (32.78%). 30.10% of respondents used it often, 24.41% used it sometimes, 10.37% used it rarely, and 2.34% never used it. As for the source that respondents mostly received the beauty product’s information from, 32.78% received from beauty bloggers, 20.07% received from online reviews from users, 15.05% received from comments on social networking sites, 11.37% received from online articles, 11.37% received from chatting with friends, 5.69% received from brand’s official website, and 3.68% received from chatting with family members.

Table 1 Descriptive statistics (N = 299)

| | Frequency | Percentage |
|---|-----------|------------|
| <i>Nationality</i> | | |
| Thailand | 194 | 64.88 |
| Taiwan | 105 | 35.12 |
| <i>Gender</i> | | |
| Female | 288 | 96.32 |
| Male | 11 | 3.68 |
| <i>Age</i> | | |
| Under 20 | 76 | 25.42 |
| 20-25 | 187 | 62.54 |
| 26-30 | 19 | 6.35 |
| 31-40 | 8 | 2.68 |
| 41-50 | 1 | 0.33 |
| Over 50 | 8 | 2.68 |
| <i>Monthly income</i> | | |
| Less than \$300 | 185 | 61.87 |
| \$301-\$450 | 36 | 12.04 |
| \$451-\$600 | 26 | 8.70 |
| \$601-\$990 | 28 | 9.36 |
| More than \$990 | 24 | 8.03 |
| <i>Approximately time spent on the internet per day in past week</i> | | |
| Less than 1 hour | 1 | 0.33 |
| 1-2 hours | 12 | 4.01 |
| 2-3 hours | 43 | 14.38 |
| 3-4 hours | 51 | 17.06 |
| More than 4 hours | 192 | 64.21 |
| <i>How often do you use the internet for searching information about beauty products before purchase?</i> | | |
| Very often | 98 | 32.78 |
| Often | 90 | 30.10 |
| Sometimes | 73 | 24.41 |
| Rarely | 31 | 10.37 |
| Never use it | 7 | 2.34 |
| <i>Which source that you mostly receive the beauty products' information from?</i> | | |
| Beauty Bloggers | 98 | 32.78 |
| Online articles | 34 | 11.37 |
| Brand's official website | 17 | 5.69 |
| Online reviews from users | 60 | 20.07 |
| Chatting with family members | 11 | 3.68 |
| Chatting with friends | 34 | 11.37 |
| Comments on social networking sites | 45 | 15.05 |

4.2 Confirmatory factor analysis and model testing

Confirmatory factor analysis (CFA) was used to perform the proposed model by LISREL 8.0 software with covariance matrix in Table 2. The overall result of the proposed model was fit to the data which the goodness of fit index (GFI) was 0.97, the adjusted goodness of fit index (AGFI) was 0.81, the root mean square residual (RMR) was 0.03, and the root mean square error of approximation (RMSEA) was 0.14, accept the χ^2 statistics (38.26; df = 6, p = 0.00). Thus, we tested the model again with separated data; Thai and Taiwanese data. The result of Thai data, the model was slightly better fit (GFI = 0.97, AGFI = 0.83, RMR = 0.03, RMSEA = 0.12, $\chi^2 = 22.05$, df = 6, p = 0.00119) but for the Taiwanese data, the model was slightly poor fit than total data (GFI = 0.94, AGFI = 0.66, RMR = 0.04, RMSEA = 0.19, $\chi^2 = 46.66$, df = 6, p = 0.00).

Table 2 Covariance matrix

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---------------------------|------|------|------|------|------|------|------|------|
| 1. E-WOM usage | 0.52 | | | | | | | |
| 2. Purchase Intention | 0.49 | 0.86 | | | | | | |
| 3. Source Trustworthiness | 0.27 | 0.26 | 0.36 | | | | | |
| 4. Source Expertise | 0.27 | 0.23 | 0.24 | 0.49 | | | | |
| 5. Source Experience | 0.22 | 0.20 | 0.24 | 0.25 | 0.34 | | | |
| 6. Source Attractiveness | 0.30 | 0.31 | 0.26 | 0.25 | 0.22 | 0.45 | | |
| 7. Source Similarity | 0.35 | 0.47 | 0.25 | 0.27 | 0.21 | 0.31 | 0.76 | |
| 8. Source Familiarity | 0.46 | 0.55 | 0.25 | 0.29 | 0.18 | 0.37 | 0.44 | 1.40 |

4.3 Hypotheses Testing

As the structural estimate and t-value are shown in Table 3, the source trustworthiness was significantly positively effects on E-WOM usage ($\beta = 0.31$, t-value = 4.34, $p < 0.01$), so H1 was supported. The effect of the source expertise and the source experience on E-WOM usage is tested. The result was the effect of the source expertise on E-WOM was not significant ($\beta = 0.09$, t-value = 1.68, $p < 0.01$) and the effect of the source experience on E-WOM usage was also not significant ($\beta = 0.07$, t-value = 1.03, $p < 0.01$). For this reason, H2 and H3 were rejected. The source attractiveness ($\beta = 0.16$, t-value = 2.73, $p < 0.01$), the source similarity ($\beta = 0.15$, t-value = 3.87, $p < 0.01$), and the source familiarity ($\beta = 0.15$, t-value = 5.51, $p < 0.01$) were significantly and positively effect on E-WOM usage. Thus, H4-H6 were supported. Furthermore, H7 was supported because the E-WOM usage was significantly positively related on purchase intention ($\beta = 0.94$, t-value = 18.41, $p < 0.01$).

Table 3 Hypotheses results

| Hypothesis | Estimates | t-value | Result |
|--|-----------|---------|-----------|
| H1. Source trustworthiness → E-WOM usage | 0.31 | 4.34 | Supported |
| H2. Source expertise → E-WOM usage | 0.09 | 1.68 | Rejected |
| H3. Source experience → E-WOM usage | 0.07 | 1.03 | Rejected |
| H4. Source attractiveness → E-WOM usage | 0.16 | 2.73 | Supported |
| H5. Source similarity → E-WOM usage | 0.15 | 3.87 | Supported |
| H6. Source familiarity → E-WOM usage | 0.15 | 5.51 | Supported |
| H7. E-WOM usage → Purchase intention | 0.94 | 18.41 | Supported |

5. Conclusion and Discussion

This research has studied and analyzed which factors influence on using E-WOM in purchase intention investigate on beauty products. The main result of this study is there are four factors were positively effect on E-WOM usage which are the source trustworthiness, the source attractiveness, the source similarity, and the source familiarity. Meanwhile, two factors were not significantly affected on E-WOM usage which are the source expertise and the source experience that means customers will utilize E-WOM from sources even though they are not expertise or they doesn't have experience with the beauty product. The factor that has the strongest effect on E-WOM usage is the source trustworthiness, follow by the source attractiveness, the source similarity, and the source familiarity, respectively. Therefore, the customers will mostly use E-WOM from the source which they trust, then the customers will consider the attractive source. The effect of similarity and familiarity between customer and source are equal. These two factors have the weakest effect on E-WOM usage which mean customers less care about their similarity with source and less care about who the source is when they use E-WOM. According to the hypothesis 7 was support, the E-WOM usage was significantly related on purchase intention. This result means that if the customer utilizes more E-WOM, they will tend to has more purchase intention. This research has managerial implications for promoting the beauty product strategy. Due to using E-WOM from online influencers to promote beauty products is a popular marketing strategy nowadays. The result of this research will be useful for firms to make a decision which source should be chosen to promote their product. Customers will not consider expertise and experience of source but they will concern mostly about trustworthiness and attractiveness of source. They will also concern about their similarity with the source and who the source is but less than trustworthiness and attractiveness.

According to limited time, the questionnaire was distributed to Taiwanese students in two classes that have low variety and the samples are not broadened enough. Therefore, the result of Taiwanese samples can only reflect the behavior of students that they may concern different factors to adopt E-WOM from the worker or other age ranges. Future study should consider more factors that will effect on using E-WOM in purchase intention such as the language of source, gender, age, etc. or examine more specifically about kinds of the marketplace (online store or physical store).

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