Chapter 3

Electronic Word of Mouth (eWOM) Strategies to Manage Innovation and Digital Business Model

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ABSTRACT

In the digital age, consumers have changed their roles from passive receivers of marketing messages to active information suppliers about products through various digital media. The communication between consumers which occurs online is termed electronic word of mouth (eWOM) communication. Electronic word of mouth communication is an integral part of e-commerce. With the exponential growth of internet users and their adoption of eWOM for product information, it has become important to study the factors responsible for the effectiveness of eWOM. This chapter investigates the traditional WOM and eWOM literature to explore its status. A summary of eWOM communication has been presented to summarize prior studies of eWOM which is aligned with basic communication processes. The research papers (literature) have been segregated into eight categories: WOM, eWOM, eWOM impact, source credibility, message characteristics, receiver characteristics, eWOM platform, and response after eWOM adoption. Finally, several strategies are discussed for theoretical and empirical exploration.

INTRODUCTION

The rapid growth of digital technology is changing the way businesses worked so far. The field of marketing is exploring new profitable models of business in computer mediated environment. The Internet based marketing models are highly customized, relevant and powerful where consumer create, exchange & choose the information they want (Fernando & Whitelock, 2007). The internet and digital technology have changed the balance of power between buyers and sellers in favour of buyers (Kucuka & Krishnamurthy, 2007). One of the most important capabilities of the Internet, in comparison with previous mass communication technologies, is its bi-directionality (Dellarocas, 2003). It has been observed that the early development of Web is controlled and static. Earlier business institutions on web used to control the content on internet but due to popularity of social media, blogs, bulletin boards, chat rooms, review sites, e-tailersites, and virtual discussion rooms, the information given by markets have lost this effect (Goldsmith, 2006). Consumers produce their own content and control the effective communication on Internet by sharing their ideas, preferences, opinions, experiences and knowledge on relevant consumption matters across globe. One the one side, availability of multi-channel enhances the opportunities for firms to grow multi-dimensionally and on other side, it increases the competition. Consumers often have ample choices to decide from and this forces them to look after information for reducing perceived risk of purchase . Scholars have commonly come to the conclusion that personal advice, recommendation and suggestions from friends, family and fellow consumers know as "word of mouth communication" have high impact on consumer behaviour (e.g. Engel, Blackwell, & Kegerreis 1969; Katz & Lazarsfeld 1955).

The rapid growth of Internet has gradually replaced interpersonal oral communication between consumers about products, by electronic word of mouth communication (eWOM) in the form of online product reviews & ratings in online websites, communities and social media (Chevalier & D., 2006). As consumption increasingly taking place in social domain, individuals either actively or passively engage in eWOM communication (Hennig-Thurau, 2004). For example, eWOM in form of online reviews provides relevant insights about products to make comparison, fulfil shortage of desired information and enable them to exchange ideas and questions in minimum time and efforts. According to Neilson (2015), 92% of consumer around the world say they trust recommendations from other consumer above all forms of advertising. Thus, eWOM is one of the determining forces in influencing attitude towards product, stimulate purchase intention and finally encourage purchase of product (Cheung & Thadani, 2012).

Besides, The World Economic Forum (2014), estimates that there is a growth of 1.2% in per capita GDP with every addition of 10% rise at internet penetration

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