

THE EFFECT OF TRADITIONAL AND ELECTRONIC WORD-OF-MOUTH ON PURCHASE DECISION

by:

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ABSTRACT

Word-of-mouth (WOM) Marketing is widely considered the most influential source of information for consumer purchase decisions, and the explosion of social media has stirred interest in the communication. The relation of Traditional Word-of-Mouth and electronic word-of-mouth (e-wom) on purchase decision are positively influential. Research to 100 respondents of student in International Business Administration program, Economic and Business faculty in SamRatulangi university. The most of student knows about word-of-mouth of marketing. Based on the result of this research conducted to analyze the effect of Traditional word-of-mouth and electronic word-of-mouth on purchase decision with study case at International Business Administration (IBA)'s student, it can be inferred that. The result of regression analysis indicates that the job characteristic and working condition have a significant effect to purchase decision in student of IBA. WOM marketing has positively effect on purchase decision, they chose to buy a goods or services based on recommendation from family, close relatives, or friends. In research showed that the process of WOM much going on with Face-to-face recommendation or called Traditional Word-of-Mouth, rather than electronic media.

Keywords : *purchase decision, word-of-mouth marketing*

INTRODUCTION

Research Background

From time to time, marketers have concentrated on adopting various marketing communication or techniques to attract consumers. During the last decade, enterprise strategists started to recognize that business success and performance improvement was more and more related to the degree to which new technological trends were used by companies in order to communicate with consumer.

Word-of-mouth (WOM) is widely considered the most influential source of information for consumer purchase decisions, and the explosion of social media has stirred interest in the communication. Word of Mouth and the Internet - The impact of WOM communication has received considerable attention, over the last 60 years, from academics and practitioners alike (Breazeale, 2009).

Traditional word-of-mouth (WOM), which was originally defined as an oral form of interpersonal non-commercial communication among acquaintances (Arndt, 1967), has evolved into a new form of communication, namely electronic word-of-mouth (eWOM) communication. Word-Of-Mouth Marketing (WOMM) refers to any positive or negative statement made by potential, actual, and former customers about a product or a company. More and more consumers use Web tools to exchange product information. For instance, the number of online consumer reviews has reached 116 million and it is still on the rise WOM has undoubtedly been a powerful marketing force. In recent years, we witnessed an emerging literature focusing on the effectiveness of WOM communication

Research Objective

This research aims are to examine :

1. The influence of traditional word-of-mouth has a significant directly to the purchase decision.
2. The influence of electronic word-of-mouth has a significant directly to the purchase decision.

THEORITICAL FRAMEWORK

Integrated Marketing Communication

Integrated Marketing Communication is the concept under which a company carefully integrates and coordinates its many communications channels to deliver a clear consistent and compelling message about the organization and its product (Kotler,1999). In their study about the potential value of IMC to corporate organisations Duncan and Everett defined integrated marketing communications in another form, IMC is the strategic coordination of all messages and media used by an organisation to influence its perceived brand value(Duncan & Everett, 199)

Word-Of-Mouth (WOM) Marketing

Word-of-mouth marketing is defined in Business Dictionary is oral or written recommendation by a satisfied customer to the prospective customers of a good or service. Considered to be the most effective form of promotion, it is also called word-of-mouth advertising which is incorrect because, by definition, advertising is a paid and non-personal communication. (Arndt, 1967) describes word-of mouth marketing as: Oral person to person communication between a receiver and a communicator, whom the receiver perceives as non-commercial, concerning a brand, a product or a service. WOM messages can be positive, negative or neutral but they have also other characteristics like dual or vivid. These additional characteristics of WOM messages are referred as the content of review. The fourth part of external level of WOM definition is channel of communication. The channel, also referred as media, can be traditional face to face or online channels (blogs, discussion forums and email). (Cheung, Et al, 2009)

Traditional Word-Of-Mouth

Traditional word of mouth (WOM) communication has been defined as „oral, person - to-person communication between a receiver and a communicator whom the receiverperceives as non-commercial regarding a brand, product or service (Arndt, 1967). Word-Of-Mouth in traditional communication theory considers as possessing powerful influence on consumers' purchasing decision behavior in every steps especially informationsearch, evaluation of alternative, and product choice (Silverman, G, 2001).There are another define of Traditional Word-Of-Mouth (WOM), that Traditional WOM is a face-to-face communication between parties known to each other, and trustworthiness can be more easily built on familiarity; thus, the information conveyed is more likely to be used in purchase decision-making (March, 2007).

Electronic Word-Of-Mouth

Hennig-Thurau, Gwinner, Walsh and Gremler (2004) define electronic WOM as any positive ornegative statement made by potential, actual or former customers about a product orcompany, which is made available to a multitude of people and institutions via the Internet and thus brings WOM into the electronic age. Online Word-Of-Mouth communication is cheaper, faster, and more effective than the other marketing tools (Dellarocas, 2003). In order to receive benefits from eWOM, it is crucial to know exactly how consumers employ eWOM messages to their advantage. The most effective strategy to optimize message adoption is to investigate which factors in the eWOM message influence the decision-making process. Due to declining trust to traditional advertising, eWOM has already become the most influential communication channel (Keller, 2007).

Purchase Decision

Information search is one of the consumers' purchase decision steps and consumers like to search for information about products to reduce risk and uncertainty, which affect consumers' purchase decision and lead them to have a better purchase decision (Peterson & Merino, 2003). Many consumers check other consumers' recommendations (WOM) before making any purchasing decision especially when it comes to buy new products (Kim & Srivastava, 2007).

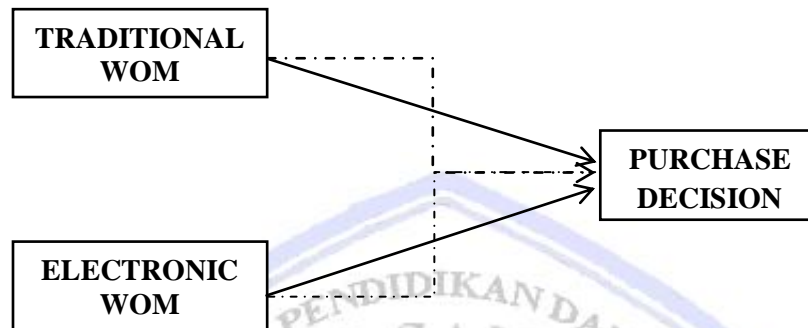


Figure 1. Conceptual Framework

Source : Theoretical Review

Research Hypothesis

- H1: Traditional word-of-mouth(WOM) and electronic word-of-mouth influence purchase decision simultaneously.
 H2: Traditional word-of-mouth(WOM) influence purchase decision partially.
 H3: Electronic word-of-mouth (WOM) influence purchase decision partially.

RESEARCH METHOD

Type of Research

This research uses causal type of research where it will investigate the effect of traditional and electronic WOM on purchase decision. Causal study is a research study conducted to established cause and effect relationships among variables (Sekaran and Bougie,2010)

Population and Sample

Population is generalization region consist of object / subject having certain quantity and characteristic that is fixed by researcher to studying and to gain conclusion (Sugiyono 55:2005). The population in this research is all of the student of International Business Administration program, Sam Ratulangi University.

The sample of this research is 100 respondents of student in International Business Administration program. The sampling design is convenience sampling that is considered as the best way of getting some basic information quickly and efficient. Convenience sampling is collecting information from members of the population who are conveniently available to provide it (Sekaran, 2010).

Operational Definition and Measurements of Research Variables

This research defines the variables into:

1. Traditional Word-Of-Mouth (X1) , Traditional WOM is a face-to-face communication between parties known to each other, and trustworthiness can be more easily built on familiarity; thus, the information conveyed is more likely to be used in purchase decision-making.
2. Electronic Word-Of-Mouth (X2) , Online Word-Of-Mouth or electronic word-of-mouth communication is cheaper, faster, and more effective than the other marketing tools. An informal means of communication (such as communication with friends, family members and co-workers), much of what you discuss is related to products and information about different products or services.
3. Purchase Decision, Customer decision making is defined as the behavior pattern of consumer that proceed, determine and follow the decision making process of the acquisition of need satisfying products, ideas or service. The decision-making processes undertaken by consumers in regard to a potential market transaction before, during, and after the purchase of a product or service.

Measurement of Research Variables

A scale is a tool or mechanism by which individuals are distinguished as to how they differ from one to another on the variables of interest to our study (Sekaran .2010)

Malhotra (2009) defined the Likert Scale as 'An interval scale that specifically uses the five response categories ranging from 'strongly disagree' to 'strongly agree' which requires the respondents to indicate a degree of agreement or disagreement with a series of statements related to the stimulus. By using the Likert Scale , respondent will not have problems in understanding and filling out the questionnaire, and it is easy for the researcher to measure, interpret and analyze the data. In this kind of scale, variables will be measured on five points of scale (1,2,3,4, and 5) as shown below:

Table 1. Grading Point of Decision Making

<i>Statement</i>	<i>Score</i>
Strongly agree	5
Agree	4
Neutral	3
Disagree	2
Strongly disagree	1

Source: *research method for business, 4th edition, 2003*

Data analysis Technique

Model of Multiple Regression Analysis

The equation model of Multiple Regression Analysis use in this research can be formulated as shown below :

$$\text{Formula: } Y = a + b_1X_1 + b_2X_2$$

Where :

- Y : Purchase Decision
 A : The constant, when all the independent variable equal to 0
 X1, X2 , : Values of independent variable
 b1,b2 : The slope for each independent variable.

Validity and Reliability

Research that considered valid is an instrument which is really able to measure the variables. The validity of the test is done to find out if the measurement tool has been compiled is truly able to measure what has been measured. The measure tool which has a high validity will have smaller error variant. The application of

reliability test in order to collecting data to find out whether is basically indicates the level of precision, accuracy, stability instruments in particular reveals an individual group, although carried out at different times.

Classical Assumption

In Order to know whether there is a classical deviation to multiple linear regression models that used or not, it is need to use two classical models to detect those classical deviation. Meanwhile, autocorrelation testing will not be used because the data is cross-sectional

Multicollinearity appears because of the correlation inter independent variable, causing it is difficult to know which independent variable influenced dependent one. Multicollinearity symptoms can be seen in $VIF < 10$ Indicate that there is no multicollinearity, instead of the $VIF > 10$ indicate that there is no serious multicollinearity.

Heteroscedasticity shows the appearance symptom of hindrance variant error that causes inequality in independent variant probability. A way to detect whether there is heteroscedasticity or not is by using spearman rank correlation. This examination can be done by applying a regression between independent variables and residual variables. If there is significant correlation between both of them, it means there are heteriscedasticity symptoms, in contrary if there is no significant correlation in independent variables and its residual it mean that there is no heteroscedascity symptoms.

The Determination Coefficient of R^2

The determination coefficient of R^2 essentially measuring how far the ability of models to explain variations in the dependent variable. Determination of hte coefficient values between 0 and 1 ($0 < R^2 < 1$), when value of R^2 is small means the ability of independent variables for explaining the dependent variable is very limited. If the value of R^2 closer to 1 means independent variable provides almost all to the information needed to predict the dependent model, variations (Gujarati, 2003)

RESULT AND CONCLUSION

Result

The purpose of Reliability test is ti check the consistency of a measurement instrument. The data gathered from respondents was coded into the tabulation table to be statistically analyzed by using statistical software SPSS version 18. The reliability test in this research uses Alpha Cronbach. By using SPSS, the value of Cronbach's Alpha is 0,899 which is above the acceptance limit of 0,6.

Table 2. Anova

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	540,302	2	270,151	47,072	,000 ^a
	Residual	556,698	97	5,739		
	Total	1097,000	99			

a. Predictors: (Constant), Electroni WOM, Traditional WOM

b. Dependent Variable: Purchase Decision

Source : Data Processed 2013

In table 2 the degree of freedom (numerator) is 2 and degree of freedom 2(numerator) is 97 with level of significance is 0.05 ($\alpha = 0.05$) and the level of confidence is 95% then F_{table} is 3.090. The result is : F_{count} (47.072) $> F_{table}$ (3.090). Since F_{count} is greater than F_{table} so H_0 is rejected and H_1 is accepted meaning independent variables simultaneously influence the dependent variable. Therefore, hypothesis 1 is accepted.

Table 3. Multiple Regression Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	7,948	1,144		6,949	,000
TRADITIONAL WOM	,321	,128	,378	2,503	,014
ELECTRONIC WOM	,306	,134	,346	2,288	,024

Sources : Data Processed 2013

$$Y = 7.948 + 0.321 (X1) + 0.306 (X2)$$

The interpretation of the equation is:

1. Constant shows the influence of Traditional WOM (X1), electronic WOM (X2)
2. Constant 7.948 shows the influence of Traditional WOM (X1), electronic WOM (X2) on Purchase decision (Y). It means that, in a condition where all independent variables are constants (zero), purchase decision (Y) as dependent variable is predict to 7.948
3. 0.321 is the slope of traditional WOM (X1) meaning if there is one unit increasing in X1 while other variables re constant then Y is predicted to increase by 0.321
4. 0.306 is the slope of electronic WOM (X2) meaning if there is one unit increasing in X2 while other variables are constant then Y is predicted to increase by 0.306

Table 4. Table R and R²

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,702 ^a	,493	,482	2,39565	2,136

a. Predictors: (Constant), ELECTRONIC WOM, TRADITIONAL WOM

b. Dependent Variable: PURCHASE DECISION

Sources: Data Processed 2013

The value of R is 0.702 indicating a positive and strong relationship between independent and dependent variable. The value of R² is 0.493, meaning traditional WOM and electronic WOM as independent variable able to influence Purchase decision as much as 50% while the rest is other factor not included in this research.

Classical Assumption Testing

Classical assumption test is needed to ensure that there is no problem in regression analysis. The tolerance value of traditional WOM and electronic WOM are 0.229, meaning the tolerance value of each variable is more than 0.2. The VIF value of traditional WOM and electronic WOM are 4.367, meaning the VIF value of each variables is less than 10. So this research is free from multicollinearity. A good regression model must not have heteroscedasticity. If there any ordered certain pattern (points), it means there is heteroscedasticity. If the pattern does ordered or spread, means there is no heteroscedasticity.

A good autocorrelation regression model is free from autocorrelation. Autocorrelation can be detecting by D – W or Durbin – Watson test. The value of the Durbin Watson is 2.136. It means is no autocorrelation in the regression

Hypothesis Testing

This research is intended to determine the influence of traditional WOM and electronic WOM as independent variables to purchase decision as dependent variable simultaneously and partially. F-test is used to determine the simultaneous effect, and t-test is used to determine the partial effect of each independent variable to dependent variable.

The t-test is used to see the partial influence of each independent variable on the dependent variable. This test is done by comparing t_{count} with t_{table} with the level of significance is 95% ($\alpha = 0.05$). The hypothesis testing in this test will be :

$t_{\text{count}} > t_{\text{table}}$ then H_0 is rejected and H_1 is accepted

$t_{\text{count}} < t_{\text{table}}$ then H_0 is accepted and H_1 is rejected

Table 5. t-test Result

Variable	Coefficient	t-statistic	t-table	Description
Constant	7.948	6.949		
Traditional WOM	0.321	2.503	1.984	Accepted
Electronic WOM	0.306	2.288	1.984	Accepted
R-squared	0.493			

Source : Data Processed 2013

The partial influence for each independent variable will be explained as follows:

1. Traditional WOM (X1) and Purchase Decision (Y)

H_1 accepted if $t_{\text{count}} > t_{\text{table}}$

Traditional WOM (X1) significantly influences Purchase Decision (Y).

H_1 Rejected if $t_{\text{count}} < t_{\text{table}}$

Traditional WOM (X1) has significantly influences Purchase Decision (Y)

The table 4 shows that t_{count} is 2.503 and since the level of significant is 5% (0.05) then the t_{table} is 1.984. The result is : $t_{\text{count}} = 2.503 > t_{\text{table}} = 1.984$. Since the t_{count} is bigger than t_{table} then H_0 is rejected and H_1 is accepted. It means that variable traditional WOM is significantly influences purchase satisfaction.

2. Electronic WOM (X2) and Purchase Decision (Y)

H_1 accepted if $t_{\text{count}} > t_{\text{table}}$

Electronic WOM (X2) significantly influences Purchase Decision (Y)

H_1 rejected if $t_{\text{count}} < t_{\text{table}}$

Electronic WOM (X2) has significantly influences Purchase Decision (Y)

The table 4.shows that t_{count} is 2.288 and since the level of significant is 5% (0.05) then the t_{table} is 1.984. The result is: $t_{\text{count}} = 2.288 > t_{\text{table}} = 1.984$. Since the t_{count} is bigger than t_{table} then H_0 is rejected and H_1 is accepted. It means that variable commitment is significantly influences purchase decision.

Since, Traditional WOM (X1), and Electronic WOM (X2) have significant influence to Purchase decision (Y) in student of International Business Administration program, therefore, hypothesis 2 is accepted.

Discussion

The results of the research, which is based on the results of the processing and analyzing of the data, related to the title, problem, and research hypothesis, then is the study there are a few things that could be described, as follows;

Based on the data gathered by questionnaire, it can conclude or discuss the effect of traditional and electronic WOM on Purchase Decision of student, such as:

1) Know about Traditional and Electronic Word-Of-Mouth

In this result almost all of the student of IBA Program know about traditional and electronic WOM, because it is a part of the Marketing Management subject. Almost everyone have learned about the subject. Rest of students have not learned yet so that they don not know or understand enough about it.

2) Do Traditional and Electronic Word-Of-Mouth activity.

In the research, the repondents has given recommendation about some products or services to their member of family or friends when they want to buy something or want to go in some store, market,restaurant,etc. It is based on good recommendation from family or friends who have bought product or used the services.

3) Trust with Traditional WOM communication

Many IBA students trust their friends,member of family, or their relative's recommendation of certain products or services. It will influence the students of IBA to buy the product or service itself.

4) Traditional and Electronic Word-Of-Mouth effective on purchase decision making

For a good and satisfying purchase, the students try to find information about product or service and the store that they will go to. When a family member or friend gives a positive recommendation, they will prefer to go to the recommended place and purchase the product or service.

5) Traditional WOM more effective than electronic WOM

Based on survey, it shows that almost 25% of respondent not trust with electronic WOM because they dont know the people whose give recommendation or message about a product or service. But for Traditional WOM , they more trust because the person who gave recommendation is familiar (friend,family's member,etc)

Based on survey conducted by questionnaire, IBA students wants cheap price, good quality of products and services. Cheap price and good quality can attract customer to buy the product or service of company. Good services is one of qualified on customer's purchase decision. Good message from family, close relative and friend can influenc people to buy the product or service. Most people want to get the best product and services, and if they purchase good quality of products or service they will dissapointer with it. Besides that a good and attracting advertisement can make customer to choose to the product or service.

CONCLUSION AND RECOMENDATION

Conclusion

The result of this research conducted to analyze the effect of traditional word-of-mouth and electronic word-of-mouth on purchase decision with study case at International Business Administration (IBA)'s student, it can be inferred that:

1. The result of regression analysis indicates that the of traditional word-of-mouth and electronic word-of-mouth has significant effect to purchase decision in student of IBA.
2. Independent variables (traditional and electronic WOM) simultaneously influence Purchase decision (Y)
3. Traditional WOM (X1) has significantly and partiall influence on purchase decision (Y)
4. Electronic WOM (X2) has significantly and partiall influence on purchase decision (Y).
5. The most influencing variable in this research is Traditional WOM (X1), from the result of T-test, the value of Traditional WOM is bigger than electroic WOM (X2), meaning that traditional WOM has the most significant value on Purchase Decision.

Recommendation

Based on the conclusions that have been put forward, it can be advised the variable traditional word-of-mouth and electronic word-of-mouth in International Business Administration is important and need specific attention. In this research, variable or factor Traditional word-of-mouth has the greatest level of significance affecting purchase decision. Therefore it is better for marketers to notice that word-of-mouth marketing (WOMM) can influence customer to buy product and service, because based on good experience with some product or service, customer with good experience can tell their family or friends to buy the product or service. This may become the advantage for marketers to promote their product or service with Word-Of-Mouth Marketing.

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