

CHAPTER II

Literature Review

2.1 Introduction

This chapter will explain about the theoretical background of this research, and the writer will elaborate the explanation of word of mouth, electronic word of mouth, and all variables (Information Quality, Information Credibility, Needs of Information, Attitude Towards Information, Information Usefulness, Information Adoption, Purchase Intention). In this chapter, the writer also explain about some previous studies, conceptual framework, and research hypothesis of this research.

2.2 Theoretical Background

2.2.1 Word of Mouth

Advertisement is a media to promote some specific product or service, that can be seen through so many ways, such as printed media (newspapers and magazines), banner, and another platforms (television, radio, and internet), which also provide a lot of information for the customers. Social Media is a modern way which allows the customers to get the information easily regarding the product, services, and some brands. It has been described that social media is an informal communication to inform the consumers about the ownership, usage, or characteristics of products and services (Berger, 2014). With a lot of information provided, making decision is getting more difficult for customers. Therefore, WOM is considered as a useful information sources which shows the consumer's experience and opinion about the brand. WOM is an important marketing tool, and with that, consumers will be able to

find specific information which meets their personal demand from the other consumers' experiences.

2.2 1.1 Electronic Word of Mouth

Internet technology is growing so fast, and it provides the way for people to communicate. For example, it facilitates the personal sharing of experiences or opinions that can be accessed by public. The original traditional name for sharing information is WOM, but then they brought new name which is electronic word of mouth as the advance level of sharing information from online sources. Since people are close with many online platforms, they can post any feedback and information related to the product/goods and services they have experienced. Not only showing good comments and reviews, people also did not hesitate to share bad comments/reviews and experiences towards their purchase. According to many researchers, they described eWOM as any positive or negative comments or opinion from potential customers regarding the product or brand on online platforms that can be seen by many people.

Table 2.1 The Differences between Word of Mouth and Electronic Word of Mouth

	WOM	eWOM
Credibility	The consumers know the communicator in real life and the information is credible (has a positive impact for credibility)	The consumers don't know the communicator in real life and is stranger or anonymous to them and the information is not credible (the negative impact for credibility)
Privacy	The information is privately shared (personally) and the consumers with communicator have a time bound.	The information is openly shared by people in online platforms, and can be access anytime and anywhere.
Flow of Information	The information spread slowly, because the consumer should be there when the information is being delivered.	The information can be spread out just in a moment within the consumer through online

		platforms and can be access at any time.
Accessibility	Hard to be accessed	Can be accessible effortlessly

Source: Adapted from Yildirim (2011)

Internet provides ways where the customers, company, and people can communicate, and enable people to share contents with others such as pictures, videos, or texts. This is a huge change from traditional to modern way of WOM. Although information on the Internet is often provided by marketers through company-created websites, online communities allow people to share their views with others by creating media content as images, videos or text. Blogs, consumer review websites, discussion forums, shopping websites, and social media websites are all different types of eWOM platforms (Bickart and Schindler, 2001; Cheung and Thadani, 2012)

Table 2.2 Types of eWOM Platforms

eWOM Platforms	Example
Blogs	Blogger.com, WoedPress.com
Consumer Review Websites	Amazon Customer Reviews, trustpilot.com
Discussion Forums	Quora.com
Shopping Websites	Amazon.com
Social Media	Facebook.com, Instagram.com

Source: Adapted from Cheung and Thadani (2012)

2.2.2 Information Quality

The Quality of Information is one of some considerations of people that are searching of information. It is an important aspect for information management, and the particular reason for circumstance is that it determines the quality of information that is developed in a business/organization. The higher quality of information produced can improve the competitive advantage for the organization (Azemi et al 2018). Operationally, the information quality is information that is good, useful, current, and accurate (Rieh, 2002; Azemi et al, 2018). That is why, many businesses

try to improve their quality of information related to the product and services they offer, to attract new potential customers. The information should be accurate and really describe the product, because the first step before customers decide to purchase is looking for information. This also help the company to maintain and improve the quality of the products, to make the customers satisfied.

2.2.3 Information Credibility

The Credibility of information refers to the perception of the message receiver about the message. Credibility is determined as something that believed to be true, and it can be trusted (Choi, 2015). It is defined as the extent to which a person perceives information to be reliable, and is a strong predictor of subsequent actions from readers of information, such as recommendations or the willingness to adopt a point of view from the information received (Li and Suh, 2015). From customer's point of view, they will find the information will be more useful if they consider the information to be credible (Cheung, 2012). The important of credibility also has been given by previous researchers, that they consider it as the main factor for the persuasion process of individuals.

2.2.4 Needs of Information

Many researchers found that social media websites are considered as suitable platforms/stage for sharing eWOM (Canhoto & Clark, 2013; Erkan & Evans, 2014; Kim, Sung, & Kang, 2014). Previous researchers found that needs of information is a concept of "opinion seeking (Chu and Kim, 2011; Erkan & Evans, 2016) and "advice seeking" (Hennig-Thurau et al., 2004; Wolny and Mueller, 2013; Erkan & Evans, 2016).

People now tend to search information online regarding to their needs, and use so many sources from internet. As the developing of internet technology is going fast,

many of sellers are offering their product on online platform. The buyers also able to post any comments and their reviews related to the product. By then, people use social media website as online platform to have a transaction.

By the comments and reviews from the buyer, other people who need information about it can search for it and know about the experience in using the product. They can find which one is suitable for them by the reviews, before they purchase the product.

2.2.5 Attitude Towards Information

Consumers, who have positive attitudes towards eWOM information on social media are more likely to find them useful and adoptable (Erkan & Evans, 2016). People who read about the information online/offline get more knowledge about the product they will buy. Some of the information would be useful for the intention to buy, and some of the information would be the reason for the consumers not to buy. Thus, the information provided influences customer's attitude toward the product.

2.2.6 Information Usefulness

People tend to engage with some information when they find it is useful for them. The information can be categorized as useful if the information can answer customer's question and expectation. When other people post their review or opinion online, it will benefit new potential customers who are looking for the information. And when consumers consider the information to be useful for them, they will have more confidence to finally make the purchase decision (Nabi and Hendriks, 2003; Erkan & Evans, 2016).

2.2.7 Information Adoption

Internet technology becomes more advance, and by then, it exposes a lot of eWOM information from online sources. People can easily see what people write on social media, and find information that is useful for them. Since social media is so wide, it provides all eWOM information, that is effective for the customers' purchase intention. However, not all eWOM information on social media has the same effect on consumers; the level of impact can vary (Yang, 2012). Consumers who adapt and engage the eWOM informations are more likely to have higher purchase intentions (Erkan & Evans, 2016)

2.2.8 Purchase Intention

Nowadays, internet becomes famous, and many people prefer to get some information online. Not also the customers, sellers also put their effort to make promotion from social media, and make it as interesting as they can, and provide accurate information of their products, also make attractive content to get more insight.

Not only sellers who can post online, but their buyers also give them comments and review about the product. Honest comment or review, especially a good review will benefit the seller, and the others who are looking for the information. People will consider about the information, and it helps for their decision making. Purchase intention will happen when people feel that the information they are looking for really fit them. EWOM has been found to be highly influential on consumers' purchase intentions by a large number of researchers (Bickart and Schindler, 2001; Chan and Ngai, 2011; Huang, 2010; Kumar and Benbasat, 2006; Park et al., 2007; See-To and Ho, 2014). ; Zhang et al., 2010; Erkan & Evans, 2016)

2.3 Operational Definition

Table 2.3 Operational Definition

Research Variable	Items Indicator (Indonesian)	Items Indicator (English)	Scale of Measurement
Information quality (Park et al., 2007)	Informasi mengenai produk yang dibagikan teman saya di sosial media.... IQ1 informasinya mudah dipahami IQ2 Informasinya jelas IQ3 Secara umum, kualitas informasinya baik	The information about products which are shared by my friends in social media ... IQ1 I think they are understandable. IQ2 I think they are clear. IQ3 In general, I think the quality of them is high.	Likert Scale-5 points SD = 1 D = 2 N = 3 A = 4 SA = 5 3 question items
Information credibility (Prendergast et al., 2010)	IC1 Informasi yang dibagikan meyakinkan IC2 Informasinya kuat IC3 Infromasinya dapat dipercaya IC4 Informasinya akurat	IC1 I think they are convincing. IC2 I think they are strong. IC3 I think they are credible. IC4 I think they are accurate.	Likert Scale-5 points SD = 1 D = 2 N = 3 A = 4 SA = 5 4 question items
Needs of information (Chu & Kim, 2011)	NOI1 Saya suka mengaplikasikan produk ketika produknya masih baru NOI2 Saya mempunyai sedikit pengalaman dengan suatu produk, saya sering memakainya	NOI1 I like to apply them when I consider new products. NOI2 If I have little experience with a product, I often use them.	Likert Scale-5 points SD = 1 D = 2 N = 3 A = 4 SA = 5 2 question items
Attitude towards information (Park et al., 2007)	ATI1 Saya selalu membaca ketika membeli produk ATI2 Informasinya sangat menolong saya untuk membuat keputusan pembelian ATI3 Informasinya membuat saya percaya diri untuk membeli produknya	ATI1 I always read them when I buy a product. ATI2 They are helpful for my decision making when I buy a product. ATI3 They make me confidient in purchasing product.	Likert Scale-5 points SD = 1 D = 2 N = 3 A = 4 SA = 5 3 question items
Information	IU1 Informasinya	IU1 I think they are	Likert Scale-5

usefulness (Bailey & Pearson, 1983)	sangat membantu IU2 Informasinya sangat informatif	generally useful. IU2 I think they are generally informative.	points SD = 1 D = 2 N = 3 A = 4 SA = 5 2 question items
Information adoption (Cheung et al., 2009)	IA1 Informasinya membuat saya mudah dalam mengambil keputusan pembelian IA2 Informasinya meningkatkan keefektifan saya dalam mengambil keputusan	IA1 They make easier for me to make purchase decision. IA2 They enhance my effectiveness in making purchase decision.	Likert Scale-5 points SD = 1 D = 2 N = 3 A = 4 SA = 5 2 question items
Purchase intention (Coyle & Thorson, 2001)	Setelah mempertimbangkan informasi yang dibagikan oleh teman saya di sosial media PI1 Saya akan membeli produknya PI2 Saya akan membeli produknya lain kali saat saya membutuhkannya PI3 Saya pasti akan mencoba produknya PI4 Saya akan merekomendasi produknya kepada teman saya	After considering information about products which are shared by my friends in social media ... PI1 It is very likely that I will buy the product. PI2 I will purchase the product next time I need a product. PI3 I will definitely try the product. PI4 I will recommend the product to my friends.	Likert Scale-5 points SD = 1 D = 2 N = 3 A = 4 SA = 5 4 question items

2.4 Previous Studies

In order to get more references for the research, there are several previous studies with the same dimension that is used for this study.

Table 2.3 Previous Studies

Research	Variables	Research Results
Alboqami, H.,	1. Contextual	The study's findings indicate

<p>Al-Karaghoul, W., Baeshen, Y., Erkan, I., Evans, C. and Ghoneim, A. (2015)</p> <p><i>Electronic word of mouth in social media: The common characteristics of retweeted and favoured marketer-generated content posted on Twitter</i></p>	<ol style="list-style-type: none"> 2. Informational 3. Entertainment 4. Brand 	<p>that pictures, hyperlinks, product or service information, direct answers to customers, and brand centrality are the main attributes that companies' posts should contain to be circulated among consumers. In terms of contextual characteristics, pictures, hyperlinks, hashtags and mentions are the most important drivers for eWOM.</p>
<p>Erkan, I. (2015)</p> <p><i>Electronic Word of Mouth on Instagram: Customers' Engagements with Brands in Different Sectors</i></p>	<p>Consumers' engagement</p>	<p>Content posted by marketers in the Electronics sector get more comments by users, whilst the brands in the Apparel sector get the fewest comments. The results show significant differences between sectors; customers' engagement with brands in the beverage sector is higher than brands in the apparel-luxury sector.</p>
<p>Erkan, I. (2014)</p> <p><i>The Impacts of Electronic Word of Mouth in Social Media on Consumers' Purchase Intentions</i></p>	<ol style="list-style-type: none"> 1. Friends communication 2. Persuasiveness 3. Opinion seeking 4. Informational influence 5. Content 6. Participation 7. General attitude 8. Review quality 9. Review credibility 10. Informativeness 11. eWOM review adoption 12. Purchase intention 	<p>The result of the study is that in particular, eWOM in social networks is an appealing research topic due to exceptional growth, power and popularity of social networks. Besides, the effects of eWOM in social media on purchase intention remain uncertain.</p>
<p>Erkan, I. and Evans, C. (2016)</p> <p><i>The Influence of eWOM in Social Media on Consumers' Purchase Intentions: An Extended Approach to Information</i></p>	<ol style="list-style-type: none"> 1. Information Quality 2. Information Credibility 3. Needs of Information 4. Attitude towards Information 5. Information Usefulness 	<p>The results confirm that quality, credibility, usefulness and adoption of information, needs of information and attitude towards information are the key factors of eWOM in social media that influence</p>

<i>Adoption. Computers in Human Behavior</i>	6. Information Adoption 7. Purchase Intention	consumers' purchase intentions.
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2.5 Conceptual Framework

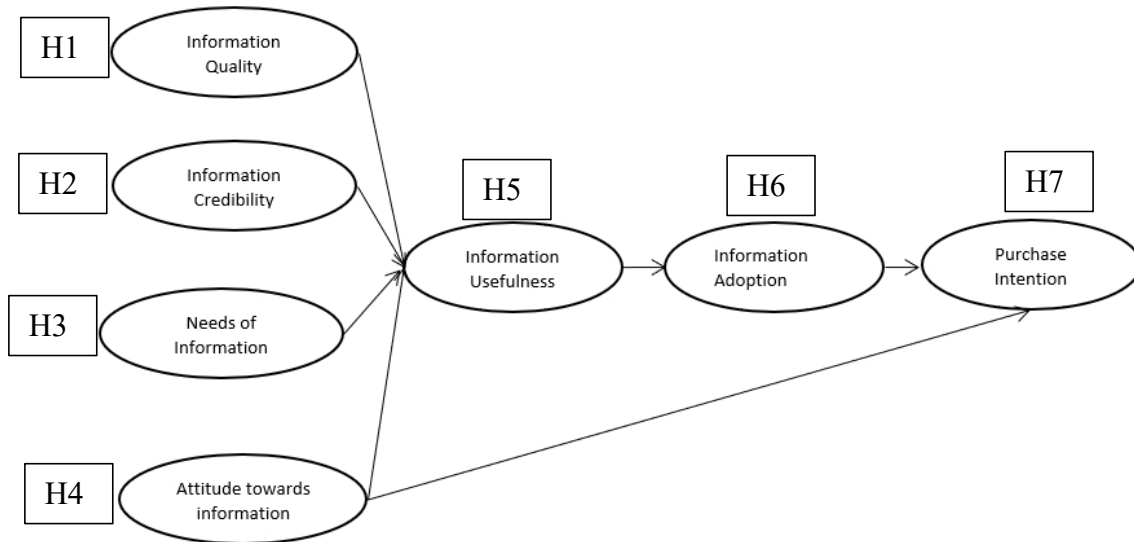


Figure 2.1 Conceptual Framework
Adopted from: Erkan, I. and Evans, C. (2016)

From the Theoretical Framework above, it can be described that it consists of 7 variables. 4 out of 7 variables which are: Needs of Information, Information Quality, Information Credibility and Attitude towards Information are the independent variables. While, Information Usefulness, Information Adoption, and Purchase Intention are the dependent variable.

2.6 Hypotheses Development

Many people including some potential customers are increasingly using social media. Consumers will find that the information is useful when they consider the quality of information is high and satisfy the consumers (Cheung et al., 2008; Erkan & Evans, 2016). People also happy to help others through their knowledge that they

share on online platforms. Previous researchers also found that the quality of the online reviews have positive effects on consumers' purchase intentions.

Therefore, the quality of eWOM information in social media can be one of the determinants of consumers' purchase intentions. People prefer to adapt the information from previous online reviewers towards the product which shows the quality and credibility of the information that can deliver it to the purchase intention.

Therefore:

H1: Quality of eWOM information positively influences the usefulness of eWOM information

Previous researchers found that the information credibility is the main determinant for the consumer's decision making process (Ragowsky, 2008; Erkan & Evans, 2016). As what have been explained, credibility is determined as something that believed to be true, and it can be trusted. The consumers consider that the information on social media useful for them, when they find it credible (Erkan & Evans, 2016). Therefore, the credibility of eWOM is important to the usefulness of eWOM information that can influence the purchase intention.

H2: Credibility of eWOM information positively influence the usefulness of eWOM information

The need of information makes people search for the information which directs to the electronic word of mouth. eWOM also has been used as "advice seeking" (Hennig-Thurau et al., 2004; Wolny and Mueller, 2013; Erkan & Evans, 2016) and

“opinion seeking” (Chu and Kim, 2011; Erkan & Evans, 2016). Many customers increasingly using social media in order to get information related to the brands they don’t really know (Erkan, 2014). From eWOM, the marketing message can be delivered to a huge number of people (Fileri and McLeay, 2014; Erkan & Evans, 2016).

As the customer behavior toward eWOM information, the needs of customers for the information can have influence of purchase intention (Erkan, 2016). They try to find some beneficial information related with the product they want, which deliver them into the usefulness of e-WOM information that will be used to consider the purchase intention.

H3: Needs of eWOM information positively influence the usefulness of eWOM information.

The attitude towards information for eWOM is one of the determinants of eWOM on social media that can influence the purchase intention. Attitudes of consumers regarding eWOM have been examined in several studies (Park et al., 2007; Prendergast et al., 2010; Wolny and Mueller, 2013; Erkan & Evans, 2016). Many studies found that consumers who have positive attitude on eWOM information find them useful and also adoptable (Erkan, 2014). That is why, the attitude of customers towards the eWOM information drives to the usefulness of the information.

H4: Attitude towards eWOM information positively influences the usefulness of eWOM information.

According to Erkan (2014) the positive attitudes towards eWOM information on social media drives to the higher purchase intention of the customers. Previous researcher also found that the attitude towards information influence the purchase intention. Social media users, whether it is intentionally or unintentionally, they are exposed to a lot of eWOM information, which they found really effective for the consumer's purchase intention. Attitude is one of some critical predictors of behavioral intention, therefore attitude towards eWOM information on social media can influence the purchase intention.

H5: Attitude towards eWOM information positively influences the consumers' purchase intention.

Some previous researchers found that information usefulness is one of the information adoption' predictors (Sussman and Siegal, 2003; Erkan & Evans, 2016) and purchase intention (Lee and Koo, 2015; Erkan & Evans, 2016). People search for information online and try to filter the information so that they will find useful information that they want. After they get the information that will be useful for them, they will adopt of the information, therefore:

H6: Usefulness of eWOM information positively influences the adoption of eWOM information.

People can get a lot of informations from e-WOM sources, and not all of the information can be used, so they will try to adopt the information that they get. Not all e-WOM informations posted on social media has the same effect on consumers'

purchase intentions; the level of impact can vary (Yang, 2012; Erkan & Evans, 2016). Out of that, many studies found that such information effective on consumer's purchase intention. Erkan, (2014) stated that consumers who adopt eWOM information through social media more likely to have higher purchase intention. Therefore, people who adapt the information are likely to have purchase intention.

H7: Adoption of eWOM information positively influences the consumers' purchase intention.

