CHAPTER 2
LITERATURE REVIEW

2.1   Literature Review

Technology has had a massive development in the last several decades. Mobile phones and computers are not the same even compared to 20 years ago. This massive development was heavily influenced by the development of the internet. With the internet, almost every device is connected. With that said, the flow of information became faster up to a point of almost instant. As an example, my favorite music band launched a new song. In the past, the way to promote the song is by announcing in radio, tv's some in newspaper, and many more ways. After hearing the news, the only way to play the music is by purchasing the album or in some cases, borrowing the album from a friend. On this day, song promotion could be in the form of social media posts, a movie soundtrack, a campaign of something, and many more ways. And to play the song, people could just use services such as Spotify to play the song free of charge but must be connected to the internet.

Meanwhile, commerce is also experiencing a massive change. In the past, commerce was conducted offline but now a new form of commerce known as e-commerce has started to pop up and conducted online. With e-commerce, people started to compare the same product from various merchants and platforms. This comparing behavior is for comparing the reviews of the product and eventually the price. According to *Asociación para la Investigación de Medios de Comunicación* research in 2014 in Spanish, about 78 percent of internet users look for online reviews before making a purchase decision and 51.5 percent users trust these reviews. According to Local Consumer Review Survey in 2012 in the context of UK and USA, consumers in the UK and USA trust these online reviews and considered them as trustworthy source of consumers information.

These online reviews are considered as valuable insight for marketers regarding a product and or services on the platform. Online reviews are the source of information for electronic word-of-mouth (EWOM), and become an integral part

of marketing (Park et al., 2007). EWOM in general is divided into two parts, the first one is active user and the second one is passive user. Active users refer to people who share the review of the product and or services online. Passive users refers to people who look for information reviews, comparing the reviews and not sharing their review online (Khammash and Griffiths, 2011).

Due to the massive growth of online platforms, many companies try to create these features where consumers are able to share their reviews online to others. These reviews could be in the form of a simple text review, stars review, symbols or whatever the company thinks best to describe consumer review. On further development, company could put a filter to make the review even more detailed. As an example, a company could put a filter for hotel room with king size bed only, and the result would be a room with king size bed and with different facilities and price accordingly.

Due to its online review nature, honesty is very crucial on the review. The key of online review is trust, that makes a review trusted and therefore beneficial for others. It is important due it what makes an online platform a credible source of information, once their customer review biased, there are significant chance of the platform credibility goes down. When a platform goes down, so does everything who has both direct and indirect relationship with the platform.

2.2   Variable Review
a.   EWOM

According to Yeap et al. (2014), the new online communication is like traditional word-of-mouth (WOM), hence some authors considered EWOM as rather similar to the traditional WOM but extended into online space. There are some basic differences between traditional WOM and EWOM. The first one quoted from Hennig-Thurau et al. (2004), "online consumers' reviews are accessible for a long period and a anyone could access them. Second from King et al. (2014) stated that information distributed at great speed and the reviews are shared among individuals. Third from Park and Kim, (2008), EWOM is

more observable than traditional WOM. And fourth, EWOM is exchange of information between unknown senders and receivers, therefore "anonymity offered by the internet can negatively affect the information credibility" (Luo et al., 2013).

EWOM itself is similar to traditional word-of-mouth, only it happens in an online environment. People seek for EWOM to look for additional information regarding the product and or services from other people who already purchase and or use the product and services. Hence, the accuracy of the information given online is purely based on the honest review of people who already purchase and our use the product and or services. Therefore, there are possibility of people's online review is biased and not true to their own experiences. Due to its unique experiences among people, it is possible for a person to another person have different experiences albeit purchasing the product and services at the same company.

b. The influence of EWOM characteristics on online RI

RI or Repurchase Intention could be defined as the individual's perception of goods or services within the same company and or same merchant, with consideration of its current condition and other various factors according to Hellier et al. (2003). With the assumption of a person having a good experience using the product and or services, there is a higher chance of that person repurchasing the goods and service from the same merchant and or company. RI is considered as the actualization of customer loyalty in the perspective of marketing literature according to Gruen et al. (2006). In other instances, Zhang et al. (2011) added, RI has significant and direct impact on the company profits and in the long run the company sustainability to the future. Due to the nature of online review is open to public, it useful for people to seek additional information regarding the product and or services that is not provided by the company but rather from the actual paying consumer itself in order to make decision to repurchase the product and or services according to Khammash and Griffiths (2011).

c. The mediating role of perceived trust

Trust could be considered as people relying on something to others. Hence it must be having credibility of the information that it is true to the actual experience a person is shared and not based on some random words that means nothing. Trust from the previous research, are conceptualized into 3 dimensions: honesty, benevolence, and competence.

According to Doney and Cannon, (1997), "honesty is the belief that the company will keep its promises with sincerity, benevolence is the concept of the seller is genuinely interested in the welfare of its customers." Honesty and benevolence can't develop overnight. Honesty and benevolence take time to develop. If the company has no interest at all in serving its customers, there are high chance of the company skipped being honest and benevolence or being kind. Therefore, the company should invest more time and effort in this aspect to make people trust the company and the company able to deliver their promises to the consumer and in the long run having repeat consumer. Last is competence, which according to Morgan and Hunt, (1994) is the sets of skill and resources available to the seller to carry out the business transaction. In the end, consumers put higher attention to other review due to it considered as more honest, neutral, and therefore considered trusted.

d. The mediating role of perceived usefulness

Perceived usefulness could be considered as the likelihood of a person to revisit an online store to buy other product and of services that they perceived able to improve their performance thus help them make the purchasing decisions (Gefen et al., 2003)

Perceived usefulness is the actual use or benefits derived from the information collected. PU according to Davis et al. (1989), is up to certain point a person believes that using a particular system will improve their job performance. In this case, the information provided about the product and or services may help potential consumers to choose the product and or services. This information may come from other consumers' review of the product and or services, as well as information provided by the seller.

2.3   Hypothesis Development

The greater the review on an online platform the more important it is for the customer. Especially with quality review of the product that had been bought and reviewed by previous customer. The bigger the volume of reviews on a product, the more popular the product (Chatterjee, 2001); (Park and Lee, 2008). Reliable information is more useful for customers to make a purchase decision, Khammash and Griffiths (2011). Thus, the quality of information received by customers affects their purchasing decision (Cheung et al., 2008). An up-to-date and consistent information will have higher chance of attracting and retaining customer (Lin and Sun, 2009), thus in the long run have direct effect on the merchant and platform profits (Zhang et al., 2011). Therefore, the hypothesis is constructed:

H1. EWOM Quantity has a positive and direct effect on online Repurchase Intention.

H2. EWOM Credibility has a positive and direct effect on online Repurchase Intention.

H3. EWOM Quality has a positive and direct effect on online Repurchase Intention.

Trust is the key to commercial transactions especially where there is no face-to-face interactions (Shin et al., 2013). A platform with plenty of reviews may help customers to rationalize their purchasing decision and reduce the perceived risk from other customers who had purchased the product and or services (Chatterjee, 2001); (Park and Lee, 2008). The more quality the review received, the higher the reputation the merchant and platform receive (Moldovan et al., 2011). EWOM Credibility may affect the customer towards the perception of the merchant (Cheung et al., 2008). Trust is very important to maintain the relationship between merchant and customer (Chiu et al., 2012). By trusting the merchant, the customer will be reducing the search of the same product and or services from other merchant and will promote repeated purchases (Gefen et al., 2003). With trust is build between the customer and the merchant, then a trusted relationship between those

two could be maintained (Chiu et al., 2012). The higher the consumer trust level is, the higher the intention to make a purchase from the same merchant in the future (Chiu et al., 2012).

H4. The relationship between EWOM Quantity and online Repurchase Intention is mediated by Trust in the online vendor.

H5. The relationship between EWOM Credibility and online Repurchase Intention is mediated by Trust in the online vendor.

H6. The relationship between EWOM Quality and online Repurchase Intention is mediated by Trust in the online vendor.

The larger the review number, the customer thinks it's a representative of the platform Perceived Usefulness (Park and Lee, 2008). Therefore, the more recommendations, the higher quantity of review processed by customer, the higher the perceived usefulness of the platform (Luo et al., 2014). An online review that a customer considered credible, they considered useful and relevant during their purchasing decision process (Sussman and Siegal, 2003). Having good information on merchant's platform perceived as a useful tool to make another purchase in the future (Yoon, 2002).

H7. The relationship between EWOM Quantity and online Repurchase Intention is mediated by Perceived Usefulness of the website.

H8. The relationship between EWOM Credibility and online Repurchase Intention is mediated by Perceived Usefulness of the website.

H9. The relationship between EWOM Quality and online Repurchase Intention is mediated by Perceived Usefulness of the website.

In summary, EWOM, trust, perceived usefulness and online repurchase intention is related to each other. Prior making the purchase, a potential customer could see the previous customer review about the product or service, this part is the EWOM. Trust is one of if not the important parts of the decision making regarding both the merchant or seller and platform could be trusted or not. Perceived

usefulness occurs if the customer feels or perceived that the purchase is making their life easier. Online repurchase intention only occurs if the customer trusts the merchant, the platform, the review, and the actual benefits for them to make another purchase from the same merchant and platform.

2.4 Theoretical Framework
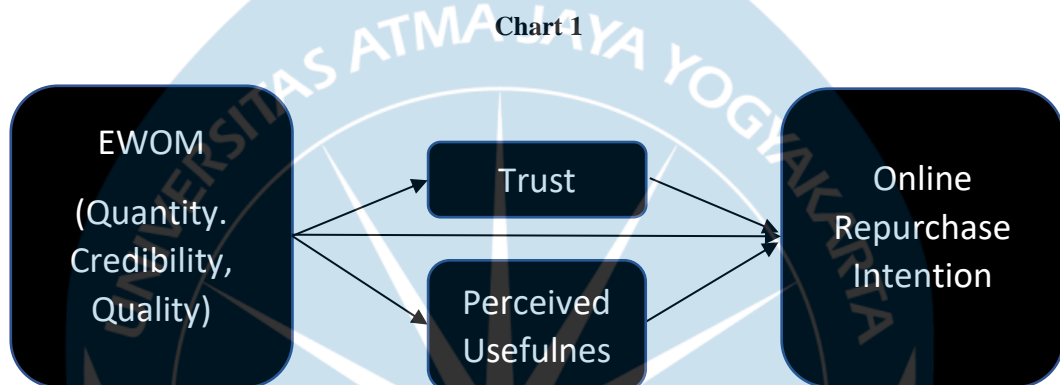
Chart 1

The chart above shows theoretical frameworks of this research.

2.5 Previous Research

Tabel 2

Previous Research

Author	Research Title	Research Variable	Analysis Tool	Conclusion
Ali Sahabi Yusuf, Ab Razak Che Hussin and Abdelsalam H. Busalim	Influence of e-WOM engagement on consumer purchase intention in social commerce	1. Information Quality 2. Information Credibility 3. Website Quality 4. Innovativeness 5. Social Support 6. Atttude towards eWOM	SEM-PLS	Information credibility, website quality, innovativeness, attitude towards EWOM, EWOM engagement, and purchase intention have positive impact.

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		7. eWOM Engagement 8. Purchase Intention		Meanwhile Information quality and social support do not have significant impact.
Ismail Erkan, Chris Evans	The influence of eWOM in social media on consumers' purchase intentions: An extended approach to information adoption	1. Information Quality 2. Information Credibility 3. Needs of Information 4. Attitude towards Information 5. Information Usefulness 6. Information Adoption 7. Purchase Intention	Structural modeling – AMOS 20	All variables have significant impact
Ismail Erkan & Chris Evans	Social media or shopping websites? The influence of eWOM on consumers' online purchase intentions	1. Information Quality 2. Information Credibility 3. Information Usefulness 4. Information Adoption 5. Online Purchase Intention	Multiple Linear Regression	Information Quality, Information Credibility, Information Usefulness, Information Adoption affect Online Purchase Intention