Review Article - Exploring the Impact of Online Reviews on Purchase Intentions of Customer

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Abstract: The objective of this paper is to explore the impact of online reviews on purchase intentions of customer and the effectiveness of online reviews as an influencing factor on customers purchase intentions. Customer generated reviews have become a very important mode of collecting information about a particular product. An attempt has been made to understand the impact online reviews have on the purchase intentions of the customer. Through the literature review it was found that online reviews have a very important place in the pre-purchase decisions of the customers. These reviews have found to be most instrumental in pushing the customer to the potential buyer’s showroom. Hence the study has resulted in concluding that online reviews have been the most powerful tool in conveying information related to product and services to customers. In fact the feedback provided by these reviews help the business to improve the quality of product and services.

Key Words: Online Review, Purchase-Intentions, Trust, Convenience, Usefulness

I. Introduction

Researching information about a product and making a purchasing decision has undergone a remarkable change. People can now interact, share their opinion, read the information posted by other users, write blogs, emails and join and create online communities. The information available online can be used in variety of ways. This information has a direct impact on people’s opinion, beliefs, and behaviors. This influence is irrespective of the fact that the information is posted by anonymous persons, people encountered online or offline or the known family friends. The most important decision people make that is highly influenced by information posted online, is whether or not to purchase a particular product.

The opinions and ratings of the products also generally include brief profile information about the consumer (source) posting the review including community-rated reputation of reviewers indicating the perceived usefulness of previously posted reviews and other products purchased or rated (Wu, P.F., 2013). The reviewers can also generally select visual images, or icons, to represent them, called virtual representations or avatars. People find searching information and reading reviews about a particular product by either expert or their peers more appealing and convenient. Online review section has become a must have on any consumer oriented website and it does have a major impact on customer’s buying behavior. (Prabha Kiran, Dr. S. Vasantha 2014). Internet is the most convenient medium were by individuals can make their thoughts and opinion easily accessible to the global community of Internet users (Dellarocas, 2003). There are a majority of consumer reports which prove that people trust consumer’s views and opinions posted online (Intelliseek, 2004). In fact more than 80% of online shoppers said that they use the reviews of other consumers (Forrester, 2006b). It is also found that almost half of the purchasing decision was in a way influenced by reading consumer reviews. It is said that other consumer’s opinions have actually caused them to consider their decision about their intention to purchase.

II. Objectives

- To study the role and impact of online review on developing a purchase intentions of the customer.
- To analyse factors influencing online reader’s evaluation of the reviews and its usefulness.

III. Online Reviews leads to Purchase Intentions

The information processing theory puts forward the concept of sequencing of the concepts at various stages as people go through while processing any information (McGuire, 1968), it is said that the similar process is followed while processing information online (Hamilton et.al 2010), Nowak, K.L., 2009). The consumers themselves make the judgment regarding the trustworthiness and purpose of the source. The value and utility of the information provided also needs to be analysed by the customer before deciding the impact of online review on purchasing decisions (Li, J et al 2011), (Reichelt, J et.al 2014), (Lee, M.; Youn, S, 2009). The assessment involves all aspects of the review that includes any kind of available information regarding the source (Park, D. 2008). Usually the image of the product, source, the description and the customer’s opinion are the most visible...
information. The information processing theory hence says that the customer will analyse all these information when he sees any review i.e. along with the text based information he will club the icons as well (Daugherty, T., et.al 2014), (Hamilton, M.A 2010)

Since the customer reviews are generated by the user and this user is the fellow customer who has experienced the product, therefore customers believe that the online reviews are of more importance than any other information, (Bickart, B., & Schindler, R. M. 2001), (Chen, Y., & Xie, J. 2008), (Cheong, H. J., & Morrison, M. A. 2008), (Huang, J. H., & Chen, Y. F. 2006), (Park, D. H et.al, 2007), (Smith, D, et al 2005) Previous researches on the role of online reviews has highlighted the fact that the reviews contribute by increasing the sale of the product by affecting the buying behavior positively (Chevalier, J. A., & Mayzlin, D. 2006), (Dellarocas, C et.al 2007),( Duan, W, et.al 2008)

IV. Theoretical Background

There are various approaches to understand the concept of online review, it can simply be defined as a platform that brings together the feedbacks and comments about the customer’s past experiences (P. Resnick, R, et.al, 2000) and has received a lot of interest by researchers and experts due to its probable impact on purchase decisions (Y. Chen and J. Xie 2008) From the beginning of emergence of online reviews the focus has been primarily on its impact on sales. In a study conducted by Clemons, Gao, and Hitt’s in 2006 it was pointed out that online reviews do play a significant role in shaping the growth of the product. Duan, Gu, and Whinston in 2008 have found out that the volume of online reviews has a direct association with the product sales. It has been found by Forman, Ghose, and Wiesenfeld in 2008 that the product sales of a particular product have increased just because the online review contained identity descriptive information. It was also found out by Ogun and Onur Tas in 2012 that more online sales are associated with the more number of online reviews. As one of the many purposes of online reviews is to build customer’s trust, this in turn will strengthen their purchase intentions (P. Resnick, R ,et.al 2000). The next aspect studied is the impact of online reviews on the trust of the customer. As shown by Ba and Pavlou (2002) that customer’s review will partly improve the customer’s trust in the seller and boost his credibility. It has also been proved by Lim, Sia, Lee, and Benbasat in 2006 that the customer endorsement by the peers increases the trust factor of the customer in the store. Lee, Park, and Han in 2011 have clearly demonstrated that customer review definitely has an impact on customer’s trust in making purchases in online shopping malls. Online reviews are the main source of acquiring product information and user experience for a customer (Hu et al. 2008). Identifying the importance and the effect of online reviews many online retailers have initiated the online review system in their websites to improve performance.

Park and Lee in 2009 examined the relationship involving consumer characteristics, attitude of the customer related to online reviews, and the effect of online reviews. It has been found that there is a significant relationship between online reviews and purchase intentions. Zhu and Zhang (2010) studied the online consumer reviews and its effect on the product in video game industry. They have found out that online reviews have been the most influential in popularizing the less popular games.

V. Online Review and its impact on Purchase intention

Most of the studies have depicted the powerful impact of online reviews on customers purchase intentions, but the study done by Duan et al. 2008 questions they actually effect of online reviews on the purchase decisions. These factors are complicated by the cognitive behavior of the customer. However the researches have also suggested that a consumer having higher degree of trust in the online retailer will prefer to buy from the same retailer,( K. H. Lim , et.al, 2006). Online reviews have had a considerable impact on the customer’s purchase intentions, P. Chatterjee, 2001 has pointed out that the outcome of the review will be impacted by the awareness, belief and attitude of the customer. It has also been claimed that online reviews are contingent on to the way the customer receives the information (Wilson and Peterson, 1989). Literature also points out that the customers reception of the online review will totally depend on the predisposition of the customer towards the online reviews (P. Chatterjee, 2001).

VI. Factors Related to Evaluation of Online Reviews

Although many factors have been studied by the authors the focus of this paper is to highlight the three major factors which help in evaluation of the online reviews by the customer.

Trust, Price and Convenience

Trust is the most important factor which drives the customer to shop online (Keen et al., 2000).

Trust can be understood as a ones perception about the other individual’s attributes and his will full wish to become susceptible (Rousseau et al., 1998; Zand, 1972). Another important factor impacting the evaluation of online reviews is the price. It stimulates the customer to use it as a bargaining tool and a very strong competitive weapon. Price is used by the customers as a medium of comparing and judging the relative value and quality of the product (Brassington and Pettitt, 2000). Further studies also have also found that the comfort
factor, the intention to purchase and the design of the website also has a major impact in influencing the purchase intention of the customer (Mauldin and Arunachalam 2002).

Number of online reviews written with respect to a particular product too has a positive impact on the customer’s purchase intentions (Park et al., 2007; Chen & Wu, 2004). It has been proven in their study that more reviews for a product implies that the product is in demand and the most preferred one. These reviews also help the customer in making him more in control with his purchase intentions and buying behavior. Chen & Wu in 2004 has stated that reviews and ratings by the customer are essential and enhance the probability of online purchase intentions. Another factor to be considered as highlighted by Azjen (as sited in Kim and Park, 1991). He has claimed that online shopping offers convenience as compared to traditional method of shopping. They also argue the fact that if online shopping is to be considered as the convenient medium for customer, then he must consider a certain amount of ease with accessing the internet. Therefore the consumer that considers internet information hunt as easy would feel it more convenient. Swaminathan et al. in 1999 has stated that the customer looking for convenience is the most prospective online buyer. Oppenheim and Ward, 2006 has explained that the present primary reason public shop over the internet is the convenience. It has also been found that prior primary reason for shopping online was price that has now changed to convenience.

VII. Usefulness of Online Reviews

Most of the review studies have focused on features of the review content (Chen & Tseng, 2011; Ghose & Ipeirotis, 2007; Ghose & Ipeirotis, 2011; Liu et al., 2007), the information about the reviewer which includes his own character and his social relations have not been given much importance. Most of the reviews and information that are posted online have found to make a considerable difference depending upon the author’s social relations (Morris et al., 2012), the character of these reviewers needs to be keenly studied in order to find if the review is helpful or not. The quality of the review can also be decided by the readability and writing style as it will definitely have a major impact on the reader. In fact Liu et al. (2007) have found that readability does not have much impact in determining the quality and Ghose and Ipeirotis (2011) have put forth that the reviews do have an influence on the perceived usefulness and the subjective matter of information.

VIII. Implications

The online reviews have a major impact on the customer’s purchase intentions. These reviews leave a remarkable change in the customer’s mind about a product or a brand. The customer will be positively or negatively affected by the nature of reviews hence the online website owners need to be proactive in understanding the customer’s reviews and any negative comment must be immediately looked into. The feedback given by the customers will have a direct impact on the future customers hence a proper channel needs to be developed to understand and deal with the customers writing negative reviews.

IX. Discussions and Conclusions

Through this paper we have found out that the online shopping environment has a very strong bond with the customer reviews and these reviews play a major role of online word of mouth. It has also been seen that if a useful information is provided about a particular product the consumer’s perceived risk can be greatly reduced and will stimulate the customer’s purchase intention. In case of experience goods the value of the customer review becomes even more important, as these products cannot be easily assessed before actually consuming it so the future customers depend on the experiences of past customers to help themselves analyse the quality and usability of the product. (Nelson 1970; Klein 1998). The internet is the most accessible marketplace especially in the case of info the case of exchange of information and virtual marketing. Customers based on their past experiences write reviews and share their views about a particular product or service and help in the decision making of other customer. The customer generated reviews also allow the future customers to evaluate the product through various types of ratings and narratives. Another researcher Forman et al (2008) has suggested how disclosing of the reviewers identity makes a difference to the credibility of an online review posted in the website helps in complimenting the value of the product and services. These views and feedback given by the customers are not only useful for the future customer in making a purchase decision but also help the business to improve the quality of the product and services.

Reference


