

Determinants of word-of-mouth communication and purchase intention of trade offices in kish Island (Case of Mica Mall)

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Abstract

Word of mouth (WOM) is becoming recognized as an important form of promotion and an important source of information influencing consumer's purchase behavior. The purpose is to survey the effect of WOM on touristcustomers' decision for purchasing Trade Offices of Mica Mall in Kish Island. Data was collected through a field research among 145 customers who have invested in Mica Mall offices, and the data were analyzed using correlation and structural equation modeling. The survey period was from Jun 2 to Jun 29, 2015. A questionnaire was provided for theories test by researcher. The validity and reliability of questionnaire was confirmed consequently by experts and Cronbach's Alpha by SPSS software. SEM was used for hypotheses testing. Two findings have been concluded in this survey. First, tie strength, source expertise, and reference group are the main antecedents of WOM seeking behavior. Second, WOM seeking behavior is the main determinant of purchase intention of Mica Mall trade offices. Managers should develop the completely understanding of WOM and try to stimulate WOM about trade offices among potential customers, because most customers are influenced by information which achieved from informal resources.

Keywords: word-of-mouth, expertise, reference group, tie strength, purchase intention, mica mall

1. Introduction

Consumers imitate each other following a social or vicarious learning paradigm, but perhaps more importantly, they also talk to each other. Described as WOM communication, the process allows consumers to share information and opinions that direct buyers towards and away from specific products, brands, and services (Hawkins et al., 2004). Jalilvand and Samiei (2012a, b, c) described WOM more broadly, to include “all informal communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services or their sellers.” There are a few general questions that should be answered:

(1) Why do consumers spread WOM? positive and negative feelings associated with a product experience created inner tension and called for a discharge in the form of WOM. Authors noted that a consumer’s affective elements of satisfaction, pleasure, and sadness all motivated consumers to wish to share experiences with others (Neelamegham & Jain, 1999).

(2) Where does WOM originate? The key WOM player is the opinion leader, an active user who interprets the meaning of media message content for others, i.e. opinion seekers. Opinion leaders are interested in particular product fields, make an effort to expose themselves to mass media sources, and are trusted by opinion seekers to provide knowledgeable advice (Walker, 1995; Feiz et al., 2013). Research has found that early adopters (not always, but often opinion leaders) who had satisfactory experience with automobile diagnostic centers led to positive WOM. Duhan et al. (1997) showed that while the originators of WOM can be close friends, family, or relatives (i.e. strong ties), that they can be acquaintances or strangers (weak ties) as well.

(3) What are some variables that mediate WOM? The literature suggests two types of mediating variables: those which influence the message originator and those which influence the listener. Gremler, Gwinner, and Brown (2001) studied the behavior of bank customers and dental patients and noted that a positive personal relationship between the company’s employees and their customers resulted in a higher likelihood that customers would spread positive WOM about the firm. From the listener’s perspective, Sundaram and Webster (1999), who conducted a study on air conditioner purchase decisions, demonstrated that the customers’ evaluation of an unfamiliar brand was more susceptible to change from WOM than was their attitude toward a familiar brand.

(4) What are the expected outcomes from the dissemination of WOM? Unsurprisingly, favorable WOM increases the probability of purchase, while negative WOM has the opposite effect. Mahajan et al. (1990) found that WOM could influence product evaluations. Thus, the exchange of product information through WOM empowers consumers and lessens producer/consumer information asymmetries, resulting in an acceleration or deceleration of product acceptance (Bass, 1969).

Kish Island has a unique situation in the strategic Persian Gulf region among tens of large and small islands. At present, there are constructing 15 trade centers in various places of Kish Island. In this regards, utilization of effective advertising tools to attract micro investors and small savings in an attempt to satisfy the purposes of participation in construction and accomplishment of the construction projects is an important area. WOM is an effective communication tool for affecting customers’ perceptions and leads to change in judgments, values, and purchase possibility. Further, research indicates that purchasers refer to experts to decline financial and functional risks by receiving WOM recommendations. Hence, the purpose of current study is to determine the factors associating with WOM that affects customers’ intention for purchasing under construction trade offices in Kish Mika Mall.

2. Determinants of WOM

2-1. Source expertise

Expertise indicates the extent of skillfulness, authoritativeness, competence, and qualification a person has about the specific knowledge (Appelbaum and Anatol, 1972). Information from an expert source is more persuasive and has positive influences on receivers' attitude change (Ohanian, 1990). Since the construction industry is more expertise-oriented, the information seekers do not expect to obtain information from an expert who has professional or specialized knowledge about the construction industry. Thus, a recommendation from a former customer who has actual experience is more persuasive than a comment from an industry expert. The difference in details the reviewer offer might be a cue for information receivers to determine whether the information providers are knowledgeable and experienced.

2-2. Tie strength

Tie strength is generally determined by the extent of time, emotional closeness, intimacy and reciprocity of the relationship (Frenzen and Davis, 1990). It can be dichotomized into strong tie and weak tie. Examples of strong ties are family members and close friends; examples of weak ties are acquaintances and strangers. Granovetter (1973) found that strong ties enjoy more frequent contact than weak ties. Thus, strong ties know more about each other's needs and preferences than weak ties. In WOM referral research, consumers are more likely to make a referral to strong ties than weak ties (Frenzen and Nakamoto, 1993). Frequent contact among strong ties creates opportunities for WOM. The knowledge of each other's needs and preferences further encourages giving suitable and helpful WOM. Other studies have also found that strong ties tend to give more WOM to each other compared to weak ties (Ryu and Fieck, 2007).

2-3. Reference groups

The concept of reference groups is a classical one in sociology. Reference groups are commonly defined as individuals or collectives that serve as a point of comparison (or reference) to a given individual in the constitution of its values, attitudes, or behaviors, thus influencing the individual's choices, behaviors, and attitudes (Shibutani, 1955). These groups have been classified as primary or secondary (Hyman, 1960). Primary groups (family, neighbors, and co-workers) are marked by members' concern for one another, shared activities and culture, and long periods of time spent together. Secondary groups (religious groups, associations, etc.) are marked by interactions that are less personal than those of the primary groups, and their relationships are temporary rather than long-lasting. Consumer behavior literature indicates that reference groups may alter consumers' choices in three different manners: through informational influence, normative acquiescence, and the influence on value expression (Wood, 2000). Prior investigations suggest that the impact of the reference group is not equally important in all stages and types of decision-making. It is also expected that the relevance of reference groups' influence on consumer decisions vary across cultures and social groups (Chattalas & Harper, 2007).

2-4. WOM Actively Sought

Actively seeking WOM is construed as the process of vigorously seeking and ultimately attaining a message. It is understood to be attained by purposeful design and effort. Arndt (1967) has emphasized the communicative dyad in which the WOM processes occur and stated that “the communicators and receivers of word of mouth are active, independent participants in the mass communications process. Receivers often initiate product conversations by asking communicators for information”. The receiver’s action of seeking WOM information is hypothesized to be an important element of the process. Associated with the process of actively seekingWOM is selective exposure to theWOMmessage, which, in turn, results in the consumer being more predisposed to the WOM message (Arndt, 1968).

3. Hypothesis development

According to the literature and in the context of of current research purpose, we developed a conceptual model as shown in Figure 1. Further, the following hypotheses have been proposed:

- H1. Source expertise has a positive and significant impact on WOM active sough of customer.
- H2. Tie strength has a positive and significant impact on WOM active sough of customer.
- H3. Reference group has a positive and significant impact on WOM active sough of customer.
- H4. WOM active sough has a positive and significant impact on purchase intentions.

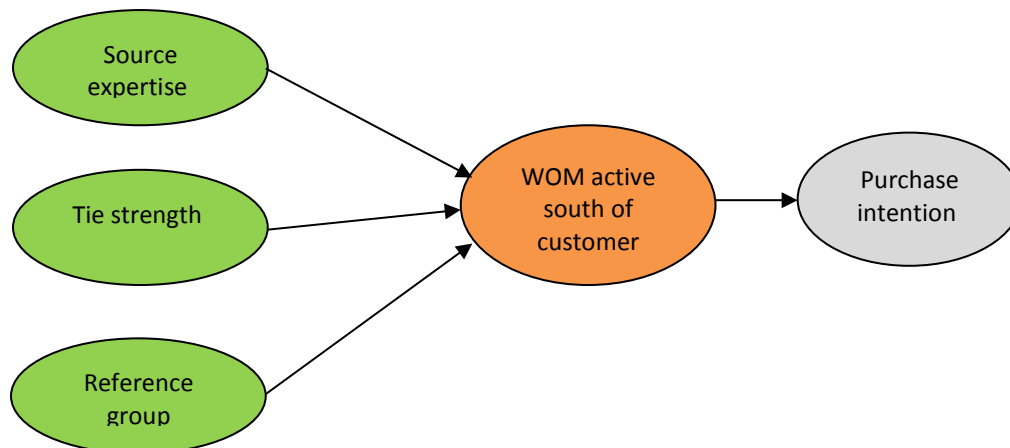


Figure 1. Conceptual model

4. Research methodology

A field survey was conducted to determine the effect of WOM determinants on customers’ decision for purchasing trade offices in Mika Mall. Population was purchasers of trade complex of Mika Mall in Kish Island (about 300 customers) in which have purchased its trade offices during March 2013. A random-sampling approach was used to collect estimated sample size (160 people). A self-administrated questionnaire developed by Bansal and Voyer (2000) was employed to collect data. A five point Likert scale was employed in the questionnaire ranging from 1=strongly disagree to 5=strongly agree. Validity of questionnaire was confiemed by face validity using opinions of seven marketing experts. Reliability of instrument was also confirmed by Cronbach’s alpha in the process of pilot study with 30 respondents. Results are shown in the Table 1. As shown, all alpha were above cut

off value of 0.69, indicating a reliable instrument. Average Variance Extracted (AVE) was also used to assess convergence validity with cut off value of 0.7. To analyze data, descriptive analysis and interpretive analysis were employed. Data analysis in interpretive section was based on correlation and structural equation modeling. SPSS and AMOS were used to test proposed hypotheses.

Table 1. Questionnaire characteristics and reliability analysis

Construct	Number of items	α	AVE
Strength tie	6	0.88	0.93
Source expertise	5	0.95	0.90
Reference group	4	0.93	0.91
WOM active sough	4	0.92	0.92
Purchase intention	4	0.91	0.94

5. Results

5-1. Sample profile

A total of 145 participants were approached. This was a random sample. The demographic characteristics of the 145 participants who returned the completed questionnaires are summarised in Table 2.

Table 2. Sample profile

Demographics	Frequency	Percent	Cumulative percent
Age			
20-29	20	13.8	13.8
30-39	45	31	44.8
40-49	55	37.9	82.8
Above 50	25	17.2	100
Gender			
Male	124	85.5	85.5
Female	21	14.5	100
Marital status			
Single	29	20	20
Married	116	80	100
Education			
Primary	5	3.4	3.4
Diploma	20	13.8	17.2
Secondary	56	38.6	55.9
Dgree	51	35.2	91
Master	9	6.2	97.2
Ph.D	4	2.8	100
Investment background			
Trade office	40	27.6	27.6
Residential bulding	38	26.2	53.8
Administrative offices	12	8.3	62.1
Land	40	27.6	89.7
Nothing	15	10.3	100
Information search type			
Personal conversation	63	43.4	43.4
Telephone	40	27.6	71

Internet	29	20	91
Other	13	9	100
Sources of information			
Sales offices	18	12.4	12.4
Friends and relatives	48	33.1	45.5
Economic analyzers	24	16.6	62.1
Previous investors	52	35.9	97.9
Other	3	2.1	100
Number of referrals to sales offices			
One time	16	11	11
Two times	50	34.5	45.5
Three times	54	37.2	92.8
More than three times	25	17.2	100
Type of received word of mouth			
Positive	128	88.3	88.3
Negative	17	11.7	100

5-2. Correlatoion analysis

Correlation analysis results, presented in Table 3, show that there were significant correlations among five variables.

Table 3. Correlation analysis

	1	2	3	4	5
1. Tie strength	1				
2. Advisor's expertise	0.325	1			
3. Reference group	0.487	0.520	1		
4. WOM active sought	0.512	0.444	0.396	1	
5. Purchase intention	0.470	0.429	0.492	0.401	1

Note: p-values ≤ 0.05

5-3. Hypothesis testing

To test eight proposed hypotheses, structural equation modeling was employed by AMOS software. When t-values resided out of range of -1.96 to 1.96, the hypothesis would be accepted. Table 5 shows the results of SEM. Figure 2 and 3 illustrate the non-standardized and standardized path coeffiencints, respectively.

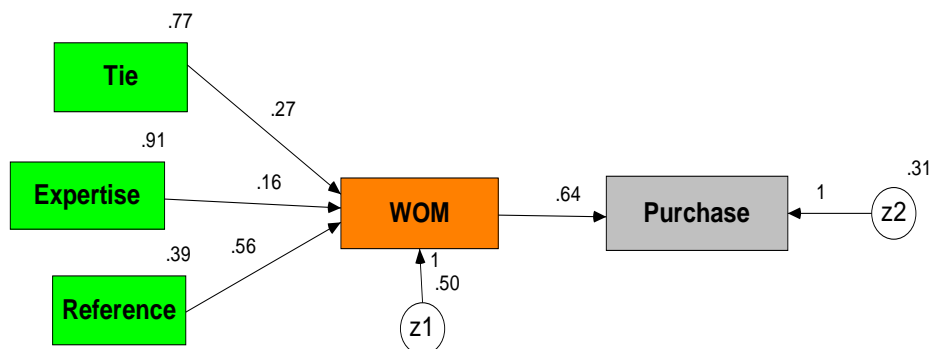


Figure 2. Non-standardized path coefficients

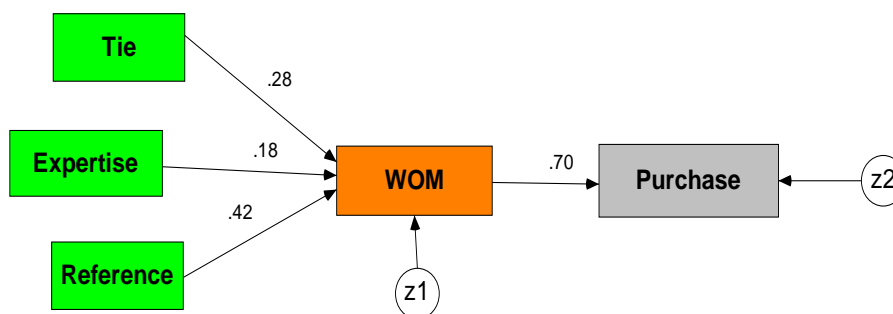


Figure 2. Standardized path coefficients

The result of the hypothesis testing showed that the source expertise had a positive and significant influence on WOM active sough ($\beta=-0.182$, $t=3.125$); therefore, H1 was adopted. Furthermore, it was found that source expertise ($\beta=0.281$, $t=4.841$) and reference gropus ($\beta=0.419$, $t=7.217$) had a positive and significant impact on WOM active sough; supporting H2 and H3. The effect of WOM active sough on purchase intention was posive and significant ($\beta=0.695$, $t=14.056$), supporting H4.

Table 4. Hypothesis testing results

Hypothesis	Independent variable	Dependant variable	Path coefficients	S.E.	t-values	p-value	Result
1	Source expertise	WOM active sough	0.182	.051	3.125	***	Supported
2	Tie strength	WOM active sough	0.281	.056	4.841	.002	Supported
3	Reference group	WOM active sough	0.419	.078	7.217	***	Supported
4	WOM active sough	Purchase intention	0.695	.046	14.056	***	Supported

6. Conclusion and discussion

The purpose of current research was to identify the main determinants of WOM on purchase intention of tarde offices of Mika Mall in Kish Island. We modeled the variables of source expertise, WOM active sough, tie strength, reference group and purchase intention. We determined source expertise, tie strength, and reference group as the major antecedents of WOM behavior. Findings showed that source expertise, tie strength and WOM active sough have positive and significant influences on WOM active sough of customer. The more tie strength between customer and advisor, the lower mitivation to seek information from others. If advisor is expertise and opinion leader, he/she willing to send some information about a product or service. The more expertise of advisor, the more influence on receiver of information. The more effect of reference group on receivers of WOM recommendation, the lower seeking WOM recommendation by the receiver. The findings have several implications for managers of Mika Mall. First, advisor expertise affected WOM effect and WOM active sough. Hence, it is expected that firms can attract effective people and disseminate their opinions. Lack of bias and netural orientation is important for experts. People expect them to be knowledgeable on the issue. The advisors can be considered as catalyzor. Second, customers seek advices by WOM recommendations before purchasing a product and service. Hence, firms need to establish an information source such as websites, journals, pictures, or films to send necessary information about the products. In the context of under construction projects, the information

includes project improvement report, events and news of firm, and forums of trade offices purchasers, potential customers, and market leaders. Third, the more knowledgeable advisors are satisfied and pleasant customers. The people tend to push other customers in the process of exchange with the firm. Firms can identify the people and utilize them as a suitable marketing tool. It is suggested that firms consider statistical distribution of customers and survey them. Customers should be asked "how do you hear about us?" or "who has introduced you?". It can help to identify opinion leaders. Finally, it is necessary for firms to establish a virtual society in cyberspace. Social networks are one of the most influential tools in marketing. According to the increasing trade offices in trade-entertainment complex in the area of Kish Island, we propose several directions for future research. First, as the research has been conducted on Mica Mall in Kish Island, it is suggested that the research be duplicated in other provinces of the country. Second, the research was done about trade offices. It is suggested that the model is tested on other construction areas. Third, the research considered customers who had purchase trade offices. It is suggested that the research is duplicated on similar complex and other factors such as building type and complex position. Fourth, it is suggested that the model is considered in other industries such as hotels and restaurants.

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