

## **E-WOM Participation in Indonesia Online Marketplace**

**Sandro Parulian Fernando<sup>1</sup>, Satria Bangsawan<sup>2</sup>, Dorothy Rouly<sup>3</sup>**

Master Program in Management Faculty of Economics and Business,  
the University of Lampung, Indonesia.

### **ABSTRACT**

This study aims to investigate determinant factors of electronic word of mouth (E-WOM) participation and its effect on consumer loyalty by implementing a quantitative research method. The data used were 205 Indonesian respondents who had previously used the online marketplace, collected by using the purposive sampling technique and analyzed by using the Partial Least Square (SmartPLS 3.0). The results show that E-WOM participation is just only determined by internal motivation, and then E-WOM indirectly affects consumer loyalty through the personal site and social site identification.

**Keywords:** E-WOM participation, Internal and External Motivation, Personal and Social Site Identification, and Consumer Loyalty

### **INTRODUCTION**

The rapid development and depth of information available on the internet allow consumers not only to access the information but also to make transactions to buy and sell the products or services (Park et al., 2009) easily and rapidly. The ease of finding information on a product and making transactions rapidly without having to meet face to face, the high interaction between consumers makes it easier for business people to market their products or services on the internet as a market place.

Along with this, word of mouth information on the internet (hereinafter referred to as E-WOM) has become important information for online shopping. E-WOM is known to have a strong impact on purchasing decisions and is a key factor in the internet shopping market (Stauss, B. 1997). Consumers now use blogs, search engines, communities, the internet, social media, consumer review systems, and online instant messaging services to gather and disseminate product information. These tools are the basis for the E-WOM network and are used for

information retrieval, decision making, and branding (Chatterje, P. 2001). With the existence of E-WOM indirectly encourages customers to interact with each other, the information produced is believed to attract new customers and retain existing customers to be customers' loyalty. E-WOM is not only limited by time and space, but also the range and speed of electronic word of mouth communication that is wider and faster compared to traditional word of mouth communication.

Bickart, B., & Schindler, RM (2001) found that consumers value recommendations by fellow consumers are more than recommendations by professional reviewers. Consumers find peer-to-peer experiences easier to relate to. Also, Goldenberg et al (2001) showed that the consumer decision-making process is greatly influenced by E-WOM. According to Pitta, DA, & Fowler, D. (2005), consumers look for the information posted by previous customers, to make themselves comfortable before buying a product or service. In contrast, Smith et al (2005) found that reviews made by online users were considered to have low credibility. Therefore, these inconclusive findings led the authors to reexamine. The purpose of this study is to determine the role of E-WOM participation which affects consumer loyalty in the online marketplace.

## **LITERATURE REVIEW AND HYPOTHESIS**

The results showed that bad consumer reviews had a major influence on consumer confidence and purchase intention at internet shopping centers (Yoo et al., 2013). According to Gruen et al (2006), E-WOM is a forum for knowledge exchange among customers, and E-WOM development is preceded by opportunity, motivation, and ability. The influence of motivation on E-WOM participation is another customer concern for self-improvement, social benefits, and economic incentives provided to facilitate participatory behavior in E-WOM.

Concern for other customers is a motivation to want to help others and is in tune with the sense of security felt by other customers who need it (Batson, CD, & Shaw, LL, 1991). Self-enhancement is a motivation that serves as a type that helps make consumers feel good for themselves and increase self-esteem by participating in E-WOM. Concern for other customers is a motivation to want to help others and is in tune with the sense of security felt by other customers who need it (Batson, CD, & Shaw, LL, 1991). Self-improvement is a motivation that

serves as a type that helps make consumers feel good for themselves and increase self-esteem by participating in E-WOM.

Motivation is an important theoretical variable, according to Woolfolk Hoy, A., & Murphy, PK (2001), the motive is a psychological state that encourages, directs, and maintains human behavior. Motivation is divided into motivation from within, called internal motivation and motivation from outside, called external motivation (Deci, EL, & Ryan, RM, 1985). Internal motivation triggers behavior on the grounds of attraction, pleasure, and satisfaction that the behavior itself causes. While external motivation is followed by reasons of compensation obtained from the results of outside. Activities. These internal and external motivations simultaneously influence individual intentions. Based on those descriptions, the following hypothesis can be proposed:

**H1: Internal motivation has a positive impact on E-WOM participation**

**H2: External motivation has a positive impact on E-WOM participation**

Customer participation is the level of involvement and frequency of customers in writing reviews in E-WOM. How much effort and time was put into writing E-WOM. Participation can also mean decision-makers who suggest that groups or communities get involved in the form of delivering suggestions and opinions, goods, skills, materials, and services. The importance of consumer participation has been demonstrated theoretically in previous studies due to several studies on the relationship between consumer participation and productivity and profitability (Fitzsimmons, JA, 1985).

Customers are directly involved in E-WOM activities, this participation can be an opportunity to interact with internet shopping centers, and to understand the identity of online social communities (Bhattacharya, CB, 1998). Whereas Cable, DM, & Judge, TA (1996) show that high suitability between people and organizations reduces the intention of separating and increases the intention to recommend the organization. This connects the E-WOM with identification. Therefore, the following hypothesis can be proposed:

**H3: Participation in E-WOM has a positive effect on Personal Site Identification.**

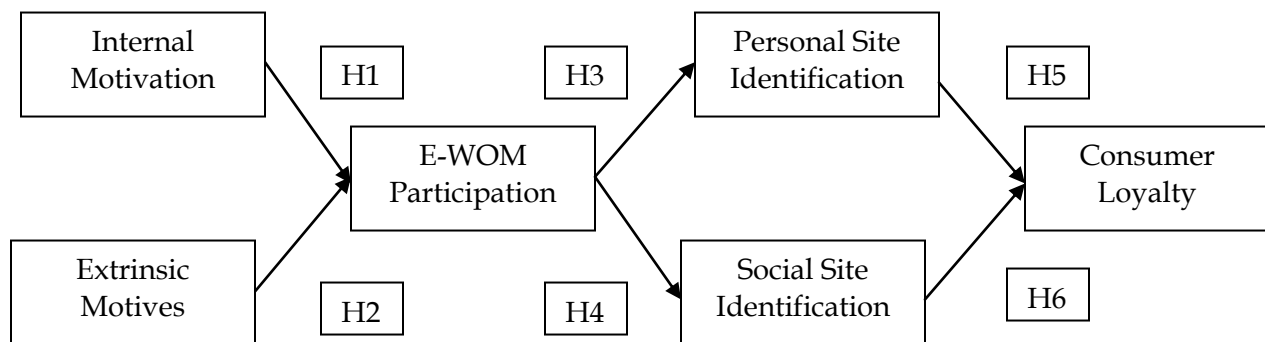
**H4: Participation in E-WOM has a positive influence on Social Site Identification.**

Consumer loyalty is influenced by identification. This is based on Bhattacharya, CB, & Sen, S. (2003). and Shiv, B., & Huber, J. (2000) who said there is a strong relationship between consumer loyalty and identification with brands. High personal and social site identification means that the customer understands the site well and has close relationships. Also, Moon et al (2006) found that the use of blogs increased social identity and greatly influenced the formation of loyalty to blog service providers. Based on this, it gives rise to the following hypothesis:

**H5: Personal Site Identification has a positive influence on consumer loyalty**

**H6: Social Site Identification has a positive influence on consumer loyalty**

Those six research hypotheses above can be drawn in the research model proposed below:



**Figure 1. Research Framework**

## RESEARCH METHODOLOGY

The quantitative research design was applied to explain the data analysis using multiple regression. Data were collected through questionnaires that were distributed to 200 respondents. The items used to measure personal site identification and social site identification were adopted from Yoo et al (2013), developed by Mael, F., & Ashforth, BE (1992). and Del Rio et al (2001). The E-WOM participation measurement was adopted from Yoo et al (2013) which was developed by Cermak et al (1994). Finally, the consumer loyalty item was developed by Anderson, RE, & Srinivasan, SS (2003). The data were analyzed through Structural Equation Modeling (SEM) analysis technique by the SmartPLs version 3.0. The measurement has met the

validity requirements (the loading factor is more than 0.50) and the reliability test (Cronbach Alpha is more than 0.70).

## RESULTS AND DISCUSSION

The majority of respondents were female with a percentage of 61.30%, while the remaining 38.70% were male. Respondents aged 17-22 years (4.90%), 23-28 years (43.60%), 29-43 years old (32.40%), and >35 years old (19.10%). The percentage number of respondents using the online marketplace intensity is once (17.60%), while the use of 2-3 times is (47.10%), and respondents who use > 3 times are (35.30%). The following is a descriptive table of respondent characteristics.

**Table 1 Descriptive Respondents**

Variable		Number of Respondents	Percentage Number (%)
Gender	Male	79	38.70%
	Female	125	61.30%
Age	17 – 22 Tahun	10	4.90%
	23 – 28 Tahun	89	43.60%
	29 – 43 Tahun	66	32.40%
	> 35 Tahun	39	19.10%
Education	SD	0	0.00%
	SMP	0	0.00%
	SMA	10	4.90%
	S1	139	68.50%
	S2	54	26.60%
Expenditures	<Rp. 2.000.000	7	3.40%
	Rp. 2.000.000 – Rp. 3.000.00	12	5.90%
	Rp. 3.000.000 – Rp. 4.000.000	57	28.10%
	Rp. 4.000.000 – Rp. 5.000.000	62	30.50%
	> Rp. 5.000.000	65	32.00%
The intensity of Internet Use	1 kali	36	17.60%
	2 – 3 kali	96	47.10%
	>3 kali	72	35.30%

Based on validity and reliability test results (Table 2), all the measurements are valid due to the loading factor and AVE value more than 0.5, then it is reliable because the CR and alpha value are more than 0.7 (Fornell, C., & Larcker, DF, 1981).

**Table 2 Convergent Validity and Reliability Test Results**

Variables	Item	Weight	Loading	Mean	SD	Alpha	CR	Reliability Decision	AVE	Validity Decision
Internal Motivation	W1	0.160	0.931	4.33	0.60	0.971	0.976	Reliable	0.873	Valid
	W2	0.171	0.936	4.36	0.62					
	W3	0.178	0.964	4.35	0.62					
	W4	0.182	0.967	4.34	0.62					
	W5	0.198	0.933	4.25	0.64					
	W6	0.182	0.873	4.22	0.72					
External Motivation	W7	0.443	0.995	1.65	0.66	0.990	0.993	Reliable	0.978	Valid
	W8	0.395	0.996	1.67	0.70					
	W9	0.169	0.976	1.68	0.74					
E-WOM Participation	X1	0.348	0.829	4.25	0.69	0.900	0.939	Reliable	0.837	Valid
	X2	0.375	0.954	4.00	0.71					
	X3	0.371	0.956	4.00	0.70					
Personal Site Identification	Y1	0.369	0.918	4.35	0.67	0.891	0.933	Reliable	0.822	Valid
	Y2	0.354	0.868	4.55	0.59					
	Y3	0.380	0.932	4.39	0.65					
Social Site Identification	Y4	0.261	0.959	4.11	0.67	0.971	0.979	Reliable	0.920	Valid
	Y5	0.253	0.929	4.16	0.65					
	Y6	0.265	0.974	4.10	0.67					
	Y7	0.265	0.974	4.11	0.67					
Consumer Loyalty	Z1	0.347	0.959	4.55	0.60	0.971	0.981	Reliable	0.945	Valid
	Z2	0.334	0.974	4.60	0.59					
	Z3	0.348	0.983	4.59	0.58					

Regarding the hypothesis and research framework built in this research and based on SEM analysis model by SmartPLS 3.0, all the hypotheses are supported by data, as can be seen in Table 3 below.

**Table 3 Hypothesis Testing Results, Based on SmartPLS 3.0**

<i>Hypothesis</i>			<i>Original Sample (O)</i>	<i>Sample Mean (M)</i>	<i>Standard Deviation (STDEV)</i>	<i>t-statistics</i>	<i>t-table <math>\alpha = 5\%</math></i>	<i>Hypothesis Decision</i>
<i>E-WOM Participation</i>	←	Internal Motivation	0.682	0.683	0.051	13.283	1,96	<b>Supported</b>
<i>E-WOM Participation</i>	←	External Motivation	0.021	0.019	0.059	0.361	1,96	<b>Not Supported</b>
Personal Site Identification	←	<i>E-WOM Participation</i>	0.631	0.635	0.050	12.529	1,96	<b>Supported</b>
Social Site Identification	←	<i>E-WOM Participation</i>	0.848	0.848	0.039	21.878	1,96	<b>Supported</b>
Consumer Loyalty	←	Personal Site Identification	0.917	-0.099	0.046	22.961	1,96	<b>Supported</b>
Consumer Loyalty	←	Social Site Identification	<b>-0.097</b>	0.920	0.040	2.125	1,96	<b>Supported</b>

Sources: SmartPLS 3.0 Output, 2020

Based on Table 3 above, it shows that the estimated value of the E-WOM participation effect is 68.20% because of the internal motivation effect that will bring about personal site identification effect as of 63.10% and social site identification effect as of 84.8%. This result can be seen from the t -statistic of more than 1.96 (13.283). While external motivation does not have a positive significant effect on E-WOM participation due to the t-statistic of less than 1.96 (0.361). Also, personal and social site identification has a significant effect on consumer loyalty, measured by the t-statistic more than 1.96. The personal site identification value has the highest effect on consumer loyalty with the estimated value of 91.70%. However, the social site identification does have a negative significant influence on consumer loyalty with the estimated value of - 9.70%.

A positive significant impact of Internal Motivation on E-WOM means that consumers realize E-WOM participation will help consumers to easily find more detailed information about the seller's reputation and the high quality of the products or services to be purchased. The result of this research is consistent with the research results conducted by Yoo et al (2013), Pitta, DA, & Fowler, D. (2005) who stated that internal motivation has a stronger influence on E-WOM participation than motivation from outside. However, this research result differs from them. In

this research, external motivation does not influence E-WOM participation. This difference suggests that consumers are more internally motivated to participate in E-WOM communication, not because of external motivation. But, another aspect that does influence consumers, is incentives in terms of gifts or price discounts that can trigger consumers to continuously participate in E-WOM.

E-WOM participation has a positive significant influence on Personal and Social Site Identification but the estimated value of the Social Site Identification effect is higher (84.80%) than that of the personal site identification (63.10%) due to E-WOM participation. This research result supports the research findings of Yoo et al (2013), Del Rio et al (2001) who stated that E-WOM participation has a positive effect on personal and social site identification. Personal site identification creates a relationship between online shopping outlets and customers. The extent to which customers judge that online shopping positively also builds the image of an online mall. it can be concluded that E-WOM participation has a more positive influence on social site identification where consumers begin to realize that E-WOM participation is quite important in creating transaction between seller and buyer in the online marketplace to have the best quality of products or services so that it will lead the customers' loyalty.

Personal site identification has much more influence on customer loyalty (91.70%) than Social site identification (-9.70%) due to E-WOM participation. The result of this research is consistent with the research results conducted by Yoo et al (2013); Anderson, RE, & Srinivasan, SS (2003); Del Rio et al (2001) who stated that E-WOM participation can positively significantly affect more on personal site identification, that bring about the positive effect on customer loyalty. However, this research finding is different. When social site identification directly affects customer loyalty, social site identification hurts customer loyalty. It means that the higher the consumers involve social site identification, the more customers will have low loyalty. It represents that consumers understand and have a considerable impact on the desire to participate in E-WOM. Consumers feel the usefulness of sharing information about the products or services of the company and also all about corporate reputation and image in review online/market place of the company, as E-WOM participation activity.



A significant effect of Personal and Social Site Identification on consumer loyalty supports the research results by Yoo et al (2013), Anderson, RE, & Srinivasan, SS (2003). Personal site identification has a positive influence on consumer loyalty. It means that the consumers individually have much more positive E-WOM participation leading to identify and search for more detailed information on the site of the marketplace. Then, the consumers always keep in E-WOM participation to positively recommend the products or services of the company to other consumers, and even the consumers tend to have the desire to go back in doing shopping transactions on the online marketplace because consumers have a personal relationship with the online marketplace.

Meanwhile, social site identification has a negative significant effect on consumer loyalty. Social Site identification is enhanced when the customer is registered in the community. Social Site Identification is the interaction between other customers at the same online shopping marketplace. However, if the social site identification comes up with a piece of negative information, the consumers will not be loyal, even the consumers will recommend the other consumers to avoid the company products or services, and the company image will be negative.

## CONCLUSION

The author believes that E-WOM is an important part of shopping in the online marketplace. This study helps provide additional insight into the relationship between customers in E-WOM participation and consumer purchases to be consumers loyal. The high motivation of customers encourages to participate in E-WOM. It was found that internal motivation is stronger in promoting the E-WOM system. At the same time, the results of this study also reveal that E-WOM participation has a significant effect on the identification of personal and social site identification. Then, personal site identification has a positive impact on consumer loyalty, even though social site identification has a negative significant effect on consumer loyalty. This means that the higher positive the personal and social site identification of consumers directly increases consumer loyalty but if the social identification of consumers communicates a negative E-WOM due to so many low-quality products or services or failed delivery of the products on time, the consumers will be unloyalty and likely to build the negative company image.

## MANAGERIAL IMPLICATIONS

Two managerial implications can be applied. The first is to strengthen the interface of the comment's column or review online of the online marketplace site. Development of a communication channel that connects customers with other customers, thereby encouraging customers to reply to E-WOM from other customers. Second, the management of the company should provide the attributes of the internet to make customers ease in finding information and communicating positive information through E-WOM. This factor triggers customers to return to making transactions because customers find it easy to find information about the seller and the products to be purchased. As the previous researchers, when customers identify themselves by continuing to participate in E-WOM, loyalty will emerge.

## LIMITATIONS AND FUTURE RESEARCH

This research was designed based on cross-sectional data sets that cannot get the generalized results, and just represent the specific profile of respondents. Therefore, it is better to conduct further research as a longitudinal research design to achieve generalized research results and confirm the robust theory. Also, further researchers need to collect data from various online shopping centers not only marketplaces, but also other social media, like Instagram, Facebook, Line, and others.

## REFERENCE

- Anderson, R. E., & Srinivasan, S. S. (2003). E-satisfaction and e-loyalty: A contingency framework. *Psychology & Marketing*, 20(2), 123-138.
- Batson, C. D., & Shaw, L. L. (1991). Evidence for altruism: Toward a pluralism of prosocial motives. *Psychological Inquiry*, 2(2), 107-122.
- Bhattacharya, C. B. (1998). When customers are members: Customer retention in paid membership contexts. *Journal of the academy of marketing science*, 26(1), 31-44.
- Bhattacharya, C. B., & Sen, S. (2003). Consumer-company identification: A framework for understanding consumers' relationships with companies. *Journal of Marketing*, 67(2), 76-88.
- Bickart, B., & Schindler, R. M. (2001). Internet forums as influential sources of consumer information. *Journal of interactive marketing*, 15(3), 31-40.
- Cable, D. M., & Judge, T. A. (1996). Person-organization fit, job choice decisions, and organizational entry. *Organizational behavior and human decision processes*, 67(3), 294-311.
- Cermak, D. S., File, K. M., & Prince, R. A. (1994). Customer participation in service specification and delivery. *Journal of Applied Business Research (JABR)*, 10(2), 90-97.

- Deci, E. L., & Ryan, R. M. (1985). Cognitive evaluation theory. In *Intrinsic motivation and self-determination in human behavior* (pp. 43-85). Springer, Boston, MA.
- Del Rio, A. B., Vazquez, R., & Iglesias, V. (2001). The effects of brand associations on consumer response. *Journal of consumer marketing*.
- Fitzsimmons, J. A. (1985). Consumer participation and productivity in service operations. *Interfaces*, 15(3), 60-67.
- Fornell, C., & Larcker, D. F. (1981). Structural equation models with unobservable variables and measurement error: Algebra and statistics.
- Goldenberg, J., Libai, B., & Muller, E. (2001). Talk of the network: A complex systems look at the underlying process of word-of-mouth. *Marketing letters*, 12(3), 211-223.
- Gruen, T. W., Osmonbekov, T., & Czaplewski, A. J. (2006). eWOM: The impact of customer-to-customer online know-how exchange on customer value and loyalty. *Journal of Business Research*, 59(4), 449-456.
- Woolfolk Hoy, A., & Murphy, P. K. (2001). Teaching educational psychology to the implicit mind.
- Mael, F., & Ashforth, B. E. (1992). Alumni and their alma mater: A partial test of the reformulated model of organizational identification. *Journal of Organizational Behavior*, 13(2), 103-123.
- Moon, J. U. N. G. H. O. O. N., Li, J. P., Jo, S. O. O. R. A. N., & Sanders, G. L. (2006). Improving the quality of life via blogs and the development of a virtual social identity. *Journal of Information Technology Management*, 17(3), 26-37.
- Park, J., Chung, H., & Yoo, W. S. (2009). Is the Internet a primary source for consumer information search?: Group comparison for channel choices. *Journal of Retailing and Consumer Services*, 16(2), 92-99.
- Pitta, D. A., & Fowler, D. (2005). Internet community forums: an untapped resource for consumer marketers. *Journal of Consumer Marketing*.
- Shiv, B., & Huber, J. (2000). The impact of anticipating satisfaction on consumer choice. *Journal of Consumer Research*, 27(2), 202-216.
- Smith, D., Menon, S., & Sivakumar, K. (2005). Online peer and editorial recommendations, trust, and choice in virtual markets. *Journal of interactive marketing*, 19(3), 15-37.
- Stauss, B. (1997). Global word of mouth: service bashing on the Internet is a thorny issue. *Marketing management*, 6(3), 28.
- Chatterjee, P. (2001). Online reviews: do consumers use them?.
- Woolfolk Hoy, A., & Murphy, P. K. (2001). Teaching educational psychology to the implicit mind.