

# INFLUENCE OF ONLINE CONSUMER REVIEWS ON E-COMMERCE SHOPPING DECISIONS

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## ABSTRACT

*With the rapid growth of internet and social media, consumers have the opportunity to share their opinions and experiences about goods and services with other consumers. Online consumer review systems have been widely used by e-commerce consumers to facilitate purchase decisions. Product reviews and ratings are the popular tools to support buying decisions of such consumers. The study was conducted to examine influence of online consumer reviews on buying decisions of consumers in Kottayam district, Kerala. Data were collected from 95 online consumers who purchases after reading online consumer reviews. Analysing the trust and dependency in online consumer reviews and to find out the relationship between online consumer reviews and purchase decision were the objectives and results showed that online consumer reviews got considerable level of influence in the buying decision. It shows that there is reasonable level of trust and dependency in online consumer reviews.*

**Keywords:** *Dependency, E-WOM, Online Consumer Reviews, Purchase Decision, Trust.*

## I. INTRODUCTION

E-Commerce shopping or online shopping is one of the major areas of Business to Consumer (B2C) e-commerce, which show rapid growth during these days. As a trading platform, sharing of information, rendering of services etc. e-commerce has got wide popularity in the business environment. In online shopping, consumers have got a significant role and preference not only as a buyer but also as an adviser. The purchasing decision of consumers is influenced by various factors such as price, quality, advertisement, brand, popularity etc. Among these factors, reviews of the consumers have got much importance especially in electronic commerce (Lee 2009, Mudambi 2010) [1] [2]. Online consumer reviews have got much importance in these days. A consumer review is a review of a product or service made by a consumer who has purchased the product or service. We can see these reviews as Electronic Word Of Mouth (E-WOM) which plays as a marketing or advertising tool which stimulates the consumers towards the product and services. Electronic Word-of-Mouth communication is any positive or negative statement made by potential, actual or a former consumer which is available to a multitude of people via the internet. The study is intended to analyse the arising role of online consumer reviews and how it helps the consumers as a source of information for the purpose of making purchase decisions.

## II. REVIEW OF THE LITERATURE

**Lackermair and Kailer (2013)** studied about the 'Importance of Online Product Reviews from a Consumer's Perspective'. The study shows that reviews and ratings are an important source of information for consumers and lot of consumers compare positive and negative reviews with each other and most of the consumers are willing to give their product reviews and ratings [3].

**Mo, Li, and Peng (2015)** studied about the "Effect of Online Reviews on Consumer Purchase Behaviour". The study states that consumers make decisions quickly based on online reviews in a short time and the influential factors of online reviews on consumer buying behaviour include positive reviews, description rating, picture reviews, additional reviews and cumulative reviews [4].

**Zou, Yu, and Hao (2011)** studied about "Does the Valence of Online Consumer Reviews matter for Consumer Decision Making? The Moderating Role of Consumer Expertise". The study states that the impact difference between negative reviews and positive reviews is greater for consumers with low expertise than for those with high expertise [5].

**Reddy and Basava (2017)** conducted a research about "Impact of Online Consumer Reviews on Consumer Purchase Decision in Bangalore". The researcher points out that the consistency of reviews can be improved as the consumers depend on reviews for getting information about product and services [6].

**Mudambi and Schuff (2010)** studied about "What makes a helpful online review? A study of customer reviews on Amazon.com". The researcher finds that for experience goods, reviews with extreme ratings are less helpful than reviews with moderate ratings but this effect was not seen for search goods[2].

**Kiran and Vasantha (2015)** conducted a study about "Exploring the Impact of Online Reviews on Purchase Intentions of Customer". The study concludes that if useful information is provided about a particular product the consumer's perceived risk can be reduced and online shopping environment has a strong bond with the online consumer reviews [7].

## III. STATEMENT OF THE PROBLEM

By analysing the previous studies, it is found that reviews are very much related with the purchasing decision of the consumers. The information that the consumers gets from the ecommerce environment in the form of reviews makes some crucial role in the consumer purchasing behaviour, because there is no direct relationship and there exists an inability to touch or try on products. There is a lack of face to face interaction and also there is no immediate delivery of products. Many studies find that the consumers are willing to give their opinion about the product which he consumes. The needy consumers relay these valuable opinions in the decision making process. It is very important to analyse at what extent the consumers relay on these reviews and their trust in the reviews. The dependency and trust shown by the online consumers in the reviews is a crucial data which depicts the importance of online reviews in e-commerce. So it is a necessity to measure the extent of influence of these online reviews in the purchase decision making process of a consumer. Hence the problem under study is stated as *influence of online consumer reviews on e-commerce shopping decisions*.

#### IV. OBJECTIVES OF THE STUDY

The study was undertaken with the following objectives:

1. To analyse the trust of the consumers towards the online reviews.
2. To examine the dependency shown by the consumers towards the online reviews.
3. To find out the relation between online consumer reviews and buying decisions.

#### V. METHODOLOGY OF THE STUDY

The study was both descriptive and analytical by which the data are collected from the consumers who purchases products from e-commerce sites. The variables are analysed for the purpose of answering relationship with the online consumer reviews and purchasing decision. Primary data was the major data for analysis and interpretation. Primary data were collected from 95 respondents from Kottayam district, Kerala. Secondary data was collected from journals, publications, reports and other information from internet. Snowball sampling is used as a method of finding the respondents and data collected through a structured questionnaire using Google forms. One way ANOVA and independent t-test is used for testing the formulated hypotheses. Tables, bar diagrams, charts etc. were used for the purpose of systematic presentation and analysis of data.

#### VI. HYPOTHESES OF THE STUDY

The study is aimed at analysing the influence of online consumer reviews in e-commerce shopping decisions. For the purpose of the study following hypotheses were established.

1.  $H_0$  : There is no significant difference in the consumer trust among different gender groups
2.  $H_0$  : There is no significant difference in the consumer trust among different age groups
3.  $H_0$  : There is no significant difference in the consumer dependency among different gender groups
4.  $H_0$  : There is no significant difference in the consumer dependency among different age groups

#### VII. ANALYSIS OF DATA

**Table I Profile of the respondents**

Respondents characteristics	Number of respondents	Percentage
Age:		
Below 21	18	18.9
21-30	46	48.4
31-40	13	13.7
41-50	12	12.6

51 and above	6	6.4
Gender:		
Male	31	32.6
Female	64	67.4
Educational qualification:		
10 <sup>th</sup> or below	8	8.4
12 <sup>th</sup>	4	4.2
Graduation	45	47.4
Post-Graduation and above	38	40
Status:		
Student	50	52.6
Employed	21	22.1
Professionals	21	22.1
Others	3	3.2
Annual income:		
Less than Rs.100000	32	33.7
Rs.100000 – Rs.250000	10	10.5
Rs. 250000 – Rs. 500000	8	8.4
Rs. 500000 and above	5	5.3
None	40	42.1

Table 1 show that a majority of the respondents belongs to the category of 21-30 followed by categories of 31-40. The table shows that female respondents were more in number comparing with male respondents. 67.4 % of the respondents were females and 32.6% respondents were males. It can be inferred that 47.4 % of the respondents were graduates. The table shows that 52.6% of respondents were students. It can be also inferred that 33.7 % of the respondents have income less than Rs.100000.

### Trust in online consumer reviews

Trust is the trait of believing in the honesty and reliability of others. The trust shown by each consumer towards a review is a major consideration while studying about the online consumer reviews. It shows how much the consumer believes in such reviews. Researcher used six variables such as authenticity, reliability, relevance, overall rating, positive reviews, and similar opinions and measured it using Likert's five point scale. Then mean score and maximum score were founded for calculating the mean percentage score for quantifying the Likert's scale.

**Table II Mean Percentage Score and Standard deviation of independent variables of trust**

Variables	Mean Percentage Score	Std. Deviation
Authenticity	75.0409	15.28454
Reliability	74.6316	17.17002
Relevance	77.0638	16.86047
Overall Rating	74.8632	18.20604
Positive Reviews	76.3684	17.70686
Similar Opinions	77.4737	18.96068
<b>Trust</b>	<b>75.9937</b>	<b>15.59144</b>

It can be concluded that all the variables used in the study helps the researcher to find out the dimension of trust shown by the consumers towards online consumer reviews. So from the study it can be concluded that people have high trust on online consumer reviews as it has a Mean Percentage Score of 75.9937 and a standard deviation of 15.59144.

### Dependency on online consumer reviews

The dependency shown by each consumer towards a review is a major consideration while studying about the consumer reviews. It shows to how much the consumer depends in such reviews. Researcher used six variables such as quality, durability, safety, features, comparison and additional information and got it rated using Likert's five point scale. Then mean score and maximum score were found for calculating the mean percentage score for quantifying the Likert's scale.

**Table III Mean Percentage Score and Standard deviation of independent variables of dependency**

Variables	Mean Percentage Score	Std. Deviation
Quality of the product	75.2982	18.16326
Durability of the product	76.0000	19.04083
Safety of the product	75.0000	19.04083
Features of the product	76.9474	17.03087
Comparison of the product	75.5088	18.53862
Additional Information about the products	74.5263	17.77131
<b>Dependency</b>	<b>75.5468</b>	<b>16.35833</b>

The researcher has found that all the independent variables used in the study increases consumers dependency towards online consumer reviews. So combining all these variables the researcher have also found that dependency has an overall Mean Percentage Score of 75.5468 and a Standard Deviation of 16.35833, so it can be concluded that online consumers are highly dependable on online consumer reviews for purchasing decisions.

### Influence of online consumer reviews on purchase Decision

Dependency of online consumer reviews on purchase decision was analysed by collecting response about whether the consumers consider reviews while making a purchase.

**Table IV Influence of online consumer reviews on purchase Decision**

Response	No. of Respondents	Percentage
Yes	95	100
No	0	0
<b>Total</b>	<b>95</b>	<b>100</b>

Table shows that every consumer considers online consumer reviews before making a purchase decision. Online consumer reviews helps the consumers for a better purchase decision.

## VIII. ANALYSIS OF HYPOTHESES

### Hypothesis I

$H_0$ : There is no significant difference in the consumer trust among different gender groups.

$H_1$ : There is significant difference in the consumer trust among different gender groups.

**Table V Calculation of t-statistics**

	Gender of respondents	Mean	t- value	P value
<b>Trust</b>	Male	72.8477	1.379	0.171
	Female	77.5417		

Since p value is greater than 0.05, the null hypothesis is accepted at 5 percent level of significance with regard to trust. Hence it is concluded that there is no significant difference in the consumer trust among different gender groups.

### Hypothesis II

$H_0$ : There is no significant difference in the consumer dependency among different gender groups.

$H_1$ : There is significant difference in the consumer dependency among different gender groups.

**Table VI Calculation of t-statistics**

	Gender of respondents	Mean	t- value	P value
<b>Dependency</b>	Male	73.52	0.839	0.404
	Female	76.53		

Since p value is greater than 0.05, the null hypothesis is accepted at 5 percent level of significance with regard to dependency. Hence it is concluded that there is no significant difference in the consumer dependency among different gender groups.

### Hypothesis III

$H_0$  : There is no significant difference in the consumer trust among different age groups.

$H_1$  : There is significant difference in the consumer trust among different age groups.

**Table VII Calculation of ANOVA**

	Age of respondents	Mean	F value	P value
<b>Trust</b>	Below 21	80.3148	1.577	0.187
	21 - 30	74.1198		
	31 - 40	69.7379		
	41 - 50	82.2176		
	51 and above	78.1914		
	Total	75.9937		

Since the p value is greater than 0.05, the null hypothesis is accepted at 5 percent level of significance with regard to trust. Hence it is concluded that there is no significant difference in the consumer trust among different age groups.

### Hypothesis IV

$H_0$  : There is no significant difference in the consumer dependency among different age groups

$H_1$  : There is significant difference in the consumer dependency among different age groups

**Table VIII Calculation of ANOVA**

	Age of respondents	Mean	F value	P value
<b>Dependency</b>	Below 21	80.4475	2.002	0.101
	21 - 30	73.3998		
	31 - 40	68.1197		
	41 - 50	82.7546		
	51 and above	78.9815		
	Total	72.548		

Since the p value is greater than 0.05, the null hypothesis is accepted at 5 percent level of significance with regard to dependency. Hence it is concluded that there is no significant difference in the consumer dependency among different age groups.

## IX. FINDINGS

1. Consumers have high Trust on online reviews for making their purchase decisions.
2. Consumers highly depend on online consumer reviews for their purchasing decisions.
3. Different gender groups have the same level of trust on online reviews.
4. Trust on online consumer reviews among different age groups is same.

5. Online consumer reviews influences consumers for better purchase decisions.
6. Consumer dependency on online consumer reviews among different age groups are same.
7. Consumer dependency among different gender group have the same level of dependency on online consumer reviews.

## X. CONCLUSION

Online consumer reviews for the product are an important factor used by the consumers before purchasing. The finding of the study clearly reveals that consumers review has direct impact or influence on purchasing behaviour of online consumers. It finds that consumers give a reasonable level of trust in the consumer reviews. Before making a purchase decision they depends these reviews on a great extent for getting more information about the product. Many of them are willing to give reviews after purchase and use. Moreover, consumers can use these reviews in their day today life in order to take a suitable purchase decision.

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