THE EFFECT OF INCENTIVIZED ELECTRONIC WORD-OF-MOUTH (EWOM) ON CONSUMER PURCHASE INTENTION

Muhammad Husni Tamrin¹, Nurul Huda²

¹² Universitas Islam Nahdlatul Ulama Jepara, Indonesia
e-mails: ¹alitamrin@gmail.com; ²nhud6235@gmail.com

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ABSTRACT

Objective: Social media has a strong impact as a reference for consumers in getting information about the product. Electronic word-of-mouth (eWOM), which is usually delivered by social media, is still the most secure advertising media. This study provides information about incentivized eWOM on purchase intention and other factors that can affect consumers. Research Design & Methods: The method used in this research is the quantitative method with an associative approach. Descriptive analysis and structural equation modeling were used to measure the influence of these variables. Findings: The results showed that the incentivized eWOM had a significant effect on purchase intention but had no impact on the company’s brand awareness. Meanwhile, the attractiveness of advertising messages has no significant effect in influencing purchase intention but has a significant effect on the company’s brand awareness. Implications & Recommendations: Although this research gives contributions to the e-WOM literature, several limitations and future research suggestions deserve mention. Further research can examine the relative effectiveness of non-monetary incentives. Contribution & Value Added: Researchers have provided input and suggestions to SMEs to optimize incentivized eWOM to increase consumer purchase intention.

Keywords: electronic word-of-mouth; incentives; purchase intention.

JEL codes: M13, M31

Article type: research paper

INTRODUCTION

Current technological advances make it easier for consumers to access the internet. One of the emerging phenomena is the increasing number of consumers using social media. Social media platforms, such as Facebook, Twitter, Instagram, Path, various forums, and other virtual worlds, enable users to easily participate, share, and create content.

Social media content has a strong impact as a reference for its users in getting information about a certain product, and producers must understand consumer behavior toward products on the market. Furthermore, it is necessary to increase consumer interest in the products or services being sold. Creating a positive response through internet reviews can be one of the factors that influence buying interest (Jalilvand & Samiei, 2012).

Electronic word-of-mouth (eWOM) is one of the factors that create a brand image. Consumers will decide to make a purchase from the internet or social media by referring to positive or negative reviews of other consumers or by comparing other products with other consumer suggestions. Other consumer reviews are external stimuli that can motivate consumers to buy.
The Nielsen Global Survey states that WOM is still the most trusted advertisement by Southeast Asian consumers. In Southeast Asia, 88% of consumers place the highest level of trust on WOM recommendations from people they know, and 89% of Indonesian consumers have been convinced to buy through WOM.

Word of Mouth Marketing Association (WOMMA) (2007) stated that there are two types of WOM models, namely, the organic WOM and the amplified WOM. Organic WOM is formed naturally where people will share their satisfaction with a certain product while amplified WOM is designed by the company. Amplified WOM is carried out when a company holds a campaign designed to encourage or accelerate the delivery of WOM to consumers by customers, such as by applying an incentive or discount model so that consumers who initially do not intend to inform consumers of products or services will promote the product or service to the other consumers.

eWOM is now one of the company’s advertising media, which causes sales to occur. Advertising is the message of a brand, product, or company that is conveyed to the audience through media (Sihombing, 2010). Effective advertising does not only convey information but also delivers messages that can create a positive image for consumers. Thereby, the conveyed message becomes an important thing that deserves to be studied.

There have been very many studies that discuss eWOM affecting brand awareness and purchase interest, but it is rare to find research that focuses on whether incentivized eWOM will still affect the brand awareness and purchase intention of consumers or they will just let the information pass because it is considered as promotion of the company advertisements that are “delivered” through consumers.

The object of the research is Djago resto and Café, one of the culinary businesses that are developing in Jepara. For entrepreneurs who are serious in developing a Cafe business, they realize that marketing and promotional activities must be carried out in various ways to achieve success. One of the reasons Djago Resto and Café can compete with similar businesses is because Djago Resto and Café maximizes social media technology such as Instagram. In 2017, their first year on Instagram, they were able to achieve their target with an increase of more than 3000 followers in the first year and also become the most happening resto in the city.

Different to the first two year, during 2019-2020, Djago Resto's Instagram did not show good performance, either from the growth of followers which did not achieve a significant increase, and also from the drop of Instagram reach and interaction. This can be caused by several things, one of which is the lack of optimization of Instagram at Djago Resto. One of the optimizations that have not been used is the use of this media to support another advertising communication, namely eWOM.

Beside that, the choice of small and medium-sized enterprises (SMEs) for this study was because the majority of consumers are young people who actively use social media as a means of communication. Thus, Djago Resto and Café is a suitable business to implement this research. This study provides information about incentivized eWOM for purchase intention and determines the factors that can influence consumers.

LITERATURE REVIEW

Incentivized eWOM

According to Sumardy et al. (2011), WOM is the act of providing information by a consumer to other consumers. WOM spreads through business, social, and community networks that are considered highly influential. Sernovitz et al. (2006) also stated that WOM could be useful because the root of beliefs comes from people who have no benefit from what they recommend.

eWOM is defined as the exchange of information regarding product or service evaluations between people in the virtual world (King et al., 2014). Some sources for eWOM are blogs, virtual communities, newsgroups, website product reviews, fan clubs, and e-mails, to name a few. eWOM is also one of the factors that affects a brand image (Kumoro, 2015) and encourages the buying interest (Jalilvand & Samiei, 2012).
It is no guarantee that consumers who are satisfied with a product will share the product with other consumers or give positive WOM (Wirtz & Chew, 2002). Satisfied consumers need to feel motivated to provide positive WOM.

From a behaviorist point of view, people who are rewarded for behavior are more likely to reengage in that behavior (Wirtz & Chew, 2002). Monetary incentives (rewards) can be used as reinforcers to shape behavior. In other words, incentives can serve as extrinsic motivators, people may engage in WOM behavior more when pushed, and this motivation can increase as incentives increase.

Nurussshobakh (2017) states that incentives are a form of compensation given to employees whose amount depends on the results achieved, both financial and non-financial. The purpose of incentives is for responsibility in order to improve the quality and quantity of performance. Incentivized eWOM consists of two step process (Berger & Iyengar, 2013). The first step is to make a recommendation of eWOM. A communicator will make an incentivized eWOM recommendation by persuading their audience to like their product or dislike a competitor's product. The second step is to share content with others by writing recommendations on sites or social media (Kim et al., 2016).

H1: Incentivized eWOM will affect brand awareness.

H3: Incentivized eWOM will affect consumer purchase interest.

The Attractiveness of the Advertising Message

Advertising messages are information that advertisers want to convey to the intended target market. The quality of the message is more important than the media used or the amount of money spent (Simamora, 2004).

An attractive advertisement is an advertisement that has an appeal, which can attract the target market (audience). The conveyed messages can be presented in different delivery styles by displaying snippets of individual or group life, individual lifestyles, fantasies about products, moods or images of the product, music to enliven further the message, a symbol of personality to create a character who personifies the product, showcasing the company’s expertise and experience in producing products, scientific evidence of product primacy or testimony from famous people (Tjiptono, 2007).

In a study by Puspitasari (2009), the effectiveness of advertising by paying attention to advertising messages will influence consumers’ brand awareness. Meanwhile, research conducted by Bues et al. (2017) stated that advertising messages could also influence consumer purchase interest.

H2: The attractiveness of advertising messages can positively affect consumers’ brand awareness.

H4: The attractiveness of advertising messages can positively affect consumers’ purchase intention.

Brand Awareness

In the world of commerce, the brand holds a very important impact as brands are useful for buyers, intermediaries, producers, and the other public (Kotler & Keller, 2012). For buyers, brands can be useful to demonstrate the quality of the product and attract the attention of consumers.

Brand awareness is the initial stage of building product images. The most important aspect of brand awareness is the first impression consumers get from the product. Brand awareness is essential before a brand association can be formed. When consumers only have a short amount of time to consume, the familiarity of the brand name will be helpful in determining the purchase (Pitta & Katsanis, 1995).

Consumers would tend to buy products with brands they are familiar with because consumers tend to find it difficult to try something new and prefer products that have certain brands and have proven quality (Andriyanto & Haryanto, 2010).

Research conducted by Tariq et al. (2017) stated that brand awareness has a significant impact on consumers’ purchase intention. Similar findings were also stated by Raharjo (2018), explaining that brand awareness can increase purchase intention for a product. In this study, brand awareness mediates the relationship between social media marketing and purchase intention. As well as research results by
Chi et al. (2009), Tariq et al. (2017), Shamsudin et al. (2020), and Dabbous & Barakat (2020) which have shown a positive relationship between brand awareness and purchase intention. Based on these findings, this study establishes brand awareness as a mediating variable that can increase purchase intention.

H5: Brand awareness has a significant influence on consumer purchase interest.

**Consumers’ Purchase Intention**

Purchase intention is the stage of the consumer’s tendency to act before the buying decision is implemented (Kotler & Keller, 2012). Furthermore, purchase intention is a behavior that appears as a response to an object or the desire of the customer to make a purchase. If the benefits that are felt are greater than the cost to get them, then the urge to buy them is even higher. Conversely, if the perceived benefits are smaller than the cost, consumers will tend to refuse and switch to other similar products.

Based on the literature review presented, the framework formed to develop the hypothesis is shown in Figure 1.

![Figure 1. Research Framework](source: The Authors)

**METHODS**

This research used an associative approach with quantitative methods. The types of data needed in this study were primary and secondary data. Secondary data were obtained through literature review by studying books and documents to gather theories. Meanwhile, primary data was obtained through a questionnaire.

The population in this study was the people who have seen the Instagram post of consumers who posted recommendations on the Djago Resto and Cafe Instagram page, with an unknown total number, identified and filtered to people who liked or commented on those posts. To determine the samples from the population, the Wibisono formula quoted by Riduwan & Akdon (2013) was used and determined by 200 respondents.

The research variables were measured using 19 indicators consisting of instruments of each variable. The EWOM Variable were measured by the indicators of Goyette et al. (2010) consisting of questions that contain intensity, valence of opinion, content, and additional indicators from Dhanesh & Duthler (2019) advertisement recognition. The AM variables were measured by the indicators of Riyanto (2008) consisting of interesting, creative and having a positive impression. The BA variables were measured by the indicators of Shimp & Andrews (2018) consisting of easy to recognize, easy to remember, and remember the brand. And the last variable, PI, was measured by the indicator from...
Hidayat et al. (2012) consisting of transactional interest, referential interest, preferential interest, and exploratory interest.

Furthermore, questions were compiled to create a questionnaire and tested on 30 respondents to determine their validity and reliability. This study used quantitative analysis with verification analysis methods to test the hypotheses using partial least squares (PLS) assisted by SmartPLS 3.0. The calculation results were evaluated by the model; measurement model results and structural model results.

**FINDING**

The results show the validity and reliability of each indicator that indicates whether there was an influence between each of the variables studied.

**Convergent Validity**

Convergent validity of the reflective indicator measurement model was assessed based on the correlation between the item score/component score with the construct score. The reflective measure is said to have a high correlation if the loading factor value is more than 0.7 for confirmatory research and 0.6 to 0.7 for exploratory research Ghozali & Latan (2015). The results of the calculation show on Table 1 that each construct has a loading factor value above 0.7 and considered valid for the model.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Loading Factor Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incentivized Electronic World of Mouth (EWOM)</td>
<td>EW1</td>
<td>0.919</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>EW2</td>
<td>0.936</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>EW3</td>
<td>0.789</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>EW4</td>
<td>0.917</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>EW5</td>
<td>0.870</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>EW6</td>
<td>0.889</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>EW7</td>
<td>0.772</td>
<td>Valid</td>
</tr>
<tr>
<td>Advertising Messages (AM)</td>
<td>AM1</td>
<td>0.789</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>AM2</td>
<td>0.937</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>AM3</td>
<td>0.895</td>
<td>Valid</td>
</tr>
<tr>
<td>Brand Awareness (BA)</td>
<td>BA1</td>
<td>0.763</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>BA2</td>
<td>0.857</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>BA3</td>
<td>0.832</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>BA4</td>
<td>0.839</td>
<td>Valid</td>
</tr>
<tr>
<td>Purchase Intention (PI)</td>
<td>PI1</td>
<td>0.859</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>PI2</td>
<td>0.859</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>PI3</td>
<td>0.902</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>PI4</td>
<td>0.870</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>PI5</td>
<td>0.849</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Source: Data processed

Apart from the loading factor, by looking at the calculation results of the average variance extracted (AVE) on Table 2, the convergent validity value must be above 0.5. The results of the AVE calculation show that each construct has a value of more than 0.5, and the convergent validity test was acceptable, which means the manifest variables of each construct were highly correlated.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EWOM</td>
<td>0.761</td>
</tr>
<tr>
<td>AM</td>
<td>0.768</td>
</tr>
<tr>
<td>BA</td>
<td>0.678</td>
</tr>
<tr>
<td>PI</td>
<td>0.753</td>
</tr>
</tbody>
</table>

Source: Data processed
Composite Reliability

Composite reliability is used to test the reliability of a construct, and the value must be fulfilled at >0.7 (Ghozali & Latan, 2015). The calculation results of composite reliability show on Table 3 that each variable has a value of more than 0.7, which indicates that all variables in this study were reliable.

Table 3. Calculation Results of Composite Reliability

<table>
<thead>
<tr>
<th>Variable</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>EWOM</td>
<td>0.957</td>
</tr>
<tr>
<td>AM</td>
<td>0.908</td>
</tr>
<tr>
<td>BA</td>
<td>0.894</td>
</tr>
<tr>
<td>PI</td>
<td>0.938</td>
</tr>
</tbody>
</table>

Source: Data processed

Hypothesis Test

Hypothesis testing was based on the results of data processing by looking at the calculation results of path coefficients that compare t-statistics with t-tables and observing how much influence it has on endogenous variables. The research hypothesis will be accepted if the t-statistics value is greater than the t-table, which was 1.65 with a confidence level of 95% or sig < 0.05 in this case.

Table 4. Calculations Results of Path Coefficients

<table>
<thead>
<tr>
<th>Variable</th>
<th>Original Sample (O)</th>
<th>T Statistics ([O/STDEV])</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>BA -&gt;PI</td>
<td>AM1</td>
<td>0.789</td>
<td>Valid</td>
</tr>
<tr>
<td>EWOM -&gt;BA</td>
<td>AM2</td>
<td>0.937</td>
<td>Valid</td>
</tr>
<tr>
<td>EWOM -&gt;PI</td>
<td>AM3</td>
<td>0.895</td>
<td>Valid</td>
</tr>
<tr>
<td>AM -&gt;BA</td>
<td>BA1</td>
<td>0.763</td>
<td>Valid</td>
</tr>
<tr>
<td>AM -&gt;PI</td>
<td>PI5</td>
<td>0.849</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Source: Data processed

Based on Table 4 that was used as hypothesis testing, in the following sections, it is explained that incentivized eWOM has no significant effect on brand awareness as indicated by a t-statistics value of 0.494, which is smaller than 1.65. This shows that the hypothesis proposed is rejected. The attractiveness of the advertising message has a significant effect on brand awareness. It was indicated by a t-statistics value of 8.248 and the significance value of (0.000) <0.05. Incentivized eWOM has a significant effect on consumer purchase interest. It is shown from a t-statistics value of more than 1.65 and a significance of (0.000) <0.05. The attractiveness of advertising messages affects, but not significantly, the purchase intention. Shown by a t-statistics value of more than 1.65 but with a significance value of (0.070) >0.05. Brand awareness has a significant effect on purchase interest. It was shown by a t-statistics value of more than 1.65 and a significance value of (0.000) <0.05.

DISCUSSION

As shown by the hypothesis testing above, Incentivized eWOM has no significant effect on brand awareness. This was in contrast with Kumoro (2015) who stated that eWOM encourages increased brand awareness. Sernovitz et al. (2006) also mentioned eWOM becomes effective because the recipient trusts in the information provider who does not get anything to recommend the product. However, it was slightly different from the incentivized eWOM, which often appears based on a particular promo, campaign, or ad, thus eliminating the elements of origin and sincerity in recommending it, as explained by Cho & Cheon (2004) that consumers tend to avoid advertising on the internet.

H2 was accepted by the results of this study. This was in line with the research by Puspitasari (2009), which stated that advertising messages could affect consumer brand awareness. Puspitasari (2009) also mentioned that the effectiveness of advertising to influence consumer brand awareness could be achieved by paying attention to advertising messages. It includes eWOM, which is one of the options...
for advertising in the current era of social media, and its effectiveness is very much influenced by attractive advertising messages.

H3 was accepted to be statistically accepted. This was in line with Jalilvand & Samiei (2012) study, which stated that eWOM supports consumers’ purchase interest. Incentivized eWOM requires consumers to provide positive comments and recommendations to their followers to be rewarded. This has caused several important dimensions of eWOM (Goyette et al., 2010), such as positive valence and content to be fulfilled, which has the potential to support purchase interest.

Meanwhile, this study also found that H4 was stated to slightly affect the purchase interest. This statement was in line with the research by Bues et al. (2017) who stated that advertising messages can influence consumer purchase interest. Besides, Simamora (2004) stated that the quality of messages is more important than the media used or the amount of money spent. In this era of social media, everyone has the power to share messages and influence others. With interesting messages, advertisements will be more original and formed as personal testimonials and recommendations.

H5 was statistically accepted in this study. This result was in line with research conducted by Tariq et al. (2017), which states the same thing. Awareness itself is a cognitive stage that is the initial stage of the communication process, leading consumers to have an interest and purchase intention.

CONCLUSION

Generating eWOM by providing incentives could be an option for companies to improve consumer purchasing intention. The result of this study shows Incentivized eWOM can provide useful information to increase consumers’ purchase intentions but does not have an impact on the company’s brand awareness. In contrast, the attractiveness of advertising messages does not affect purchase intention but affects the company’s brand awareness. Meanwhile, brand awareness itself affects consumer purchase intentions. This research has a contribution to the e-marketing literature as it filled a lack of study on incentive eWOM and its impact on purchase intention.

SME owners can use the results of this study to increase company purchases. Researchers provide suggestions to SMEs to be able to involve consumers in promotions through eWOM by providing incentives in the form of discounts or other incentives in the hope of increasing consumer purchase interest.

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