

'Online reviews and ratings' impact on purchasing decisions

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ABSTRACT

The growth of internet and internet technologies had made changes to how people think, how people prefer and people started giving more preference for convenience than ever before. These advances has also made changes to the way people communicate and because of this Word Of Mouth (WOM) communication has taken a shift towards e-Word Of Mouth (eWOM), this has resulted in generation of online information about products and services and feedback of products and services which we call it has as reviews and ratings. The current study aims at finding effect of reviews and ratings on purchase decisions of consumers in e-retail. The study has considered people above the age of 18 and people who have done online shopping (e-commerce). We have used simple random sampling and collected data from 205 people. The study has found that the type of reviews, quality and quantity has significant effect on purchase decision of consumers.

INTRODUCTION

In the changing world of business, the growth of mobile, internet and its technologies has changed the way of how people think, how people behave, prefer, buy and purchase. Preference has been given to convenience more than ever before and it is eased by technology and technology driven business. In specific, technology has played a major part in this rapid change of retail sector from traditional retail to e-retail. Indian commerce has grown from USD 3.8 billion in 2009 to USD 38 billion marks in 2016 as per ASSOCHAM report. Taking the VUCA into an account for this e- retail, starting from globalization to customization has to be considered for the effective management of e-retail and e-commerce. Amongst the elements affecting purchasing decisions in e-retail in recent times are ratings and reviews. There may be a concern and constraint that, the reviews are mostly written by paid reviewers or the real users but it matters a lot for the seekers who purchase online. Online reviews and ratings are one of the information sources when consumer is making purchase decisions. Review of articles by Kiran & Vasanthi (2015) related to online reviews reveal that the information of reviews are helpful for the customers in the stage of pre-purchase and they indicates these information is pushing the customers to the potential showroom. Online reviews are voluntary information about the product from the peers or experts or users. Research by Hankin in 2007 in examining the online across the multiple product categories affirms that, the consumers are using the review to mitigate risks and they see the reviews as reflections of a product to be shipped. This research tries to address and explore the effects of the ratings and reviews. And the research found out that the effects are highly significant and it is effectively affecting the purchase decisions. The research also throws the light on the review and rating patterns.

REVIEW OF LITERATURE

Growth in internet and mobile phone penetration has changed retail environment. Shopping habits of customers'

expectations and preferences are also changing with change in environment.

The number of mobile internet users from rural area doubled from 2014 and in 2016 the growth percentage is estimated to outclass all the previous figures. Internet user penetration is 34.8% in 2016 and it was 27% in 2015 and 18% in 2014. This large internet user base will have a direct effect on the Indian online shopping business. In fact Google India mentions that around 50 million Indians purchases products online and this number is rising every year. India's e-commerce market was worth about USD 3.8 billion in 2009, it had gone to USD 17 billion in 2014 and USD 23 billion in 2015 and it is expected to reach USD 38 billion mark by 2016, ASSOCHAM. The changing in technological area all over the world have changed the concept of information & communication. The use of internet for commercial purposes has given rise to electronic commerce (e-commerce) phenomenon. According to Turban, e-tailing (e-commerce) is defined as retailing conducted online, over the internet. The main activities of e-commerce are (a) product evaluation and information gathering facility (b) online purchase facility (c) product delivery function. Overall the e-commerce industry, has been growing at a CAGR of 35-40 percent each year, and it is expected to cross the \$100 billion mark in five years, ASSOCHAM said. Computer and consumer electronics, with apparel and accessories, will make it to 40 percent of the total e-commerce sales. Yanez (2014) found that the people believe and trust over e commerce is building using many but the majority is due to reviews and ratings Alrasheed (2011) pointed out that, among the reviews written by personal blogs, seller sites, seller blogs, personal blogs are said to influence more and there's also a special mention about the quality and length of the review. Carrier et al (2012) came with an interesting finding that the most useful reviews are negatives than the positive reviews that affects the preferences on consumer choices. Since the reviews are from peers, it's valued most too. Lee (2009) examined the type of buyer's involvement and ranging from high to low and their attitude towards reviews and ratings in making the purchase decision and he also pointed out the

importance of quantity and quality of the reviews and ratings. The causal impact on consumer purchase decision and selection of products by consumers are largely influenced by reviews and ratings (Vimaladevi & Dhanabagyam, 2012). Wu et al .., (2016) stated that coupon promotions and online promotions are making online shoppers to write reviews and it affect others purchase decisions. With the implementation of these information & communication technologies by these commercial institutions for the support of its business activities, electronic business concept was developed. Cvijikj (2010), People tend to believe their friend for the opinions and source of information about the product, and people do share the information, review on the Facebook, social media platform and followers do believe in the reviews and ratings roaming in social media. Online reviews and ratings are one of the most important information sources when a consumer is making a purchase decision. Gligorijevic (2013) confirm through his doctoral work, reviews and ratings are not just solving the thirst of information search; it also spread the ewom – E word of mouth. Yayli (2014) also reiterate the reviews role in spreading e-WOM and thereby increasing the sales and influencing the purchase decision. The arrival and expansion of the Internet has extended consumers' options for gathering product information by including other consumers' comments, posted on the Internet, and has provided consumers opportunities to offer their own consumption-related advice for others who purchase.

DISCUSSION

Today, many consumers turn to the internet to research products—whether they buy on the Web site or later in-store. As they conduct their research, the critical first-step in the purchase decision, consumers assign more credibility to the opinions of other consumers than to paid experts or sell copy. For this reason, the major contribution of this study is to explore impact of the online consumer reviews, one type of eWOM, on purchasing decision. Besides this, several conclusions can be drawn from these analyses. First, the result of the research has revealed that there were significant main effects of the reading reviews before purchasing and buyers' purchase frequency. Second, number of reviews has a significant effect on buyers' purchasing decision due to the increases the perceived popularity of a product. According to the results approximately 209 (34,6%) respondents read between 4-7 number of reviews before purchasing product. These research findings confirm that there were significant differences between buyers 'purchase decision and number of reviews. Third, this study shows that participants agree to characteristics of reviews are effective on purchasing decision. Specifically, consistency and regency of reviews are more effective on purchasing decision. It can be said that consumers are more worried about whether the reviews are true or manipulated. Hence, it is clear that trust plays a role in online consumer behavior. In addition to participants assess the attribute-value reviews as clear and specific. Fourth, other reviewers' rating of usefulness of the review is regarded as an important factor that influences the buyers purchasing decision. And therefore, it's suggested that other reviewers' evaluations should be presented on web sites. Fifth, as a expected result, it's confirmed that buyers don't consider demographic profiles (such as age, gender and residence) of reviewers as a significant factor in purchasing process. Sixth, the results of the study indicate that most of the surveyed participants agree to importance of reliability of web site. Therefore, it can be said that reliability, internationality and popularity of web site is critical for consumer decision. Seventh, also there was a significant difference between buyers' internet usage time and

reading reviews. Findings show that participants who use internet too read more online reviews than others. One more finding of this study is that there was a significant interaction effect between product price and reading reviews before purchasing. Participants base a recommendation on price and convenience. This is especially true in the current economic climate, where shoppers are increasingly intent upon finding deals. These findings help marketers to develop strategic plans for future applications. In addition, under the network environment, the electronic word-of-mouth is the truest reflection of consumers' product evaluation; enterprises should concern about the electronic word-of-mouth and get consumers' opinion of the brand to improve brand competition force constantly.

PURPOSE

Considering the shifts of business environment, business using online platform and technology cannot be missed out. The boring factors affecting purchase decisions are not playing a big role, being the business roll out using technology and on other words, the influencers got into different shape. The new paradigm in the e commerce and e retail purchase decisions been largely influenced by reviews and ratings. It urged the researcher to take up study on this dimension to react for the VUCA scenarios in the technology driven business. The aims of this research are to see the role of reviews on purchase behaviors. Negativity, positivity, genuineness, consistency, reliability and review count has been taken into account while attempting to study the reviews and ratings effect on purchase decisions. The study also attempted to understand the profile of the respondents who believe and buy with the help of reviews and ratings and involvement pattern of the online shoppers in India.

The following are the details about the respondents in detail.

Age	Number of respondents	percentage
18-25	110	54%
26-35	60	29%
36-45	24	12%
46-55	7	3%
Others	4	2%

Male	139	68%
Female	66	32%

Monthly income	Number of respondents
20-30K	27
30-40K	45
40-50K	14
Above 50K	28
Others	91

Occupation	Number of respondents	Percentage
Business	19	9%
Student	103	50%
Employee	69	34%
Housewife	6	3%
Others	8	4%

OBJECTIVES OF THE STUDY

- Effect of reviews and ratings on purchase decision
- Characteristics and nature of reviews and ratings

- Profile of online shoppers considering ratings and review

RESEARCH DESIGN

This study is a descriptive design and uses both quantitative and qualitative data. The primary data collection has been done using survey method both online and offline. Cooper and Schindler (2008) expressed that a quantitative method was appropriate when research sought to identify relationships between variables within a specific sample of a population. The study has chosen a sample of 501 respondents using snowball sampling technique. An instrument (Questionnaire) developed to measure the effects of ratings and reviews on purchase decisions consisted of ratings nature, review characteristics, shopping behavior and shoppers' profile.

Data had been analyzed using SPSS, VPLS & Excel by employing descriptive statistics, correlation, regression, SEM and other tests.

MAJOR FINDINGS

- ✓ Structural equation modeling predicts that the effects of ratings and reviews on Purchase are close to 65 percent and the path shows high significance.
- ✓ Reviews and ratings have a high correlation and related to the purchase decision of the online shoppers. 0.508, the outcome of regression analysis reaffirmed the role of ratings and reviews
- ✓ Genuineness is the most determinant characteristic of reviews and ratings followed by negativity of it.
- ✓ Millennial males believe the ratings and reviews most, and they review majorly for the electronics related market, but GEN X are posting more reviews.
- ✓ However the involvement of shoppers, ratings & reviews affects, sometimes it stops.

RESEARCH LIMITATIONS

- ✓ This research has not included the specific product segment of e tailing.
- ✓ This research employed snowball/convenience sampling as the population is unknown
- ✓ Dimensions on qualitative aspects of reviews and ratings has to be included

PRACTICAL IMPLICATIONS

- ✓ This research insists the importance of reviews and ratings for online retailers and to concentrate on it.
- ✓ This research also iterates the important dimension of ratings to be prioritized to attract the online shoppers.
- ✓ The research gives industry a clear picture on the segment of shoppers to be targeted for reviews and ratings.

ORIGINALITY

The research is few of its kind in an effort to understand the role of reviews and ratings and the characteristics of it towards purchase decisions for the online shoppers. Being there are very few researches in the field of technology related business

talks about the role of reviews and ratings and thus this research is bridging that gap, its originality is high and reliable.

CONCLUSION

Studies on culture and human development had cited enough that decisions made by human race were always based on references and the strategies were made through considering the ratings of impact. The same trend is continuing currently in the digital age. All e-tailing are made only after getting references or word of mouth and all purchase decisions are made after reviewing the rating factor of the same. The thesis titled "Online consumer products and reviews" by Koojiman (2012) draw two major conclusions out of the research is that, when the number of reviews are increasing the rate of sales is also increasing and the logic regression confirms that the reviews and ratings are highly influencing and significant. The reason for the importance is cited as objective and subjective comments in the reviews. A new field of business had emerged in the past decade to improve customer rating and thereby the customer satisfaction. Market expansion is not possible without the support of existing customers who punch their preferences only through online satisfaction indexes. Lackermaier (2013) supported the fact that, the ratings and reviews are helpful for the retailer to build and work on trust and reputation and the research also pointed out that, the need for the structured or categorization of reviews since going through review is time consuming. The future of retailing is e-tailing and the fortune of e-tailing is in ratings and references only.

It's right time that the study has taken off. E-tailing the matter of offer places is becoming big billion day and great Indian sale now. The study on reviews and ratings are of great help for the firms because they help in developing strategic plan for future growth and what product to cater to what segment through tracking their buying patterns. Since the research findings have shown that the reviews and ratings have effect on purchase decisions of customers and this purchase decisions will ultimately result in sales and increase the profitability of the firms and thus the research holds valid and accountable for the industry growth.

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