The significant effect of word of mouth communication

As we saw in the previous chapter, research indicates that word-of-mouth communication has a significant effect on consumer purchasing behavior. Word-of-mouth seems particularly important to the marketing of services. Consumers have been found to rely on word-of-mouth to reduce the effect of perceived risk and the doubt that is often associated with the service purchase intention and decision (Murray, 1991). Compared to purchasers of goods, Murray (1991) found that service purchasers have great confidence in personal sources of information as well as greater pre-purchase preference for personal information sources obtained mainly through word-of-mouth. Intangibility is often considered the most distinct difference between goods and services industry. As mentioned, intangibility of services typically results in higher associated perceived risk, which proved to encourage customers to look for sources of information from the surrounding social network.

3. 2 Problem Definition

It is proven that consumers often incorporate the opinions of other consumers while purchasing a product or service which will then affect their opinion when forming an evaluation about that product or service. However, little is known about how evaluations are changed by word-of-mouth, which consumers are most likely to be influenced, and whether the change in evaluation will affect future purchase decisions. Service companies lack the ability to systemize and formalize consumer to consumer interactions. There is little understanding or consensus about what word-of-mouth is, how, and why it works. Customers are nowadays less affected by the traditional advertising messages as they are losing trust in them and at the same time their role is shifting to a more active role starting from the information

seeking process through the available information channels, evaluating, analyzing, purchasing, and finally complaining or recommending to others. Word-of-mouth has proven to take place in the stages of consumer decision making process (Feick and Price 1987), which resulted in the recommendation that word-of-mouth interactions should become central to the development of the marketing strategy of mobile telecommunication service companies.

3. 3 Research Objectives

This exploratory research study will aim to examine some of the relationships between the word-of-mouth variables in the proposed model. The researcher will view the sender of word-of-mouth as the person who articulates the message or gives the advice, whereas a receiver is the person to whom the message or advice is directed. The influence of the sender's word-of-mouth on the receiver purchase decision is the main dependent variable. Testing the relationship between this dependent variable and the other word-of-mouth variables is the main concern of the researcher in order to validate the problem statement. This testing will result in explaining the effects of salient variables on the ultimate dependent variable. The main objective of this research is to examine how sender, receiver and their relationship correlate to the influence of sender's word-of-mouth on receiver's purchase decision of GSM line in the Egyptian market. In doing so, various mediating and moderating factors will be considered.

This study hopes to provide marketers more information and useful suggestion on how word-of-mouth affects the purchasing behavior. It serves as a reference for managing word-of-mouth which has a great power on

consumer behavior. Also, marketers can adopt effective strategies to decrease the damages that can be caused by negative word-of-mouth. Furthermore, the research findings will have certain managerial implications that could support marketing and communication experts within the GSM telecommunication service providers to incorporate word-of-mouth within their marketing strategy. This will result in the ability to study the effects on the normal marketing mix, designing word-of-mouth campaigns, and allocating the appropriate advertising budgets within the various media channels available.

3. 4 Theoretical Framework

The following figure 3. 2 explains the theoretical framework for the research. It is based on previous literature available on the word-of-mouth and its associated variables and processes. The researcher will investigate the effect of sender's word-of-mouth on the receiver purchase decision. Many variables could affect the sender's word-of-mouth on the receiver purchase decision. The researcher concluded that these factors relate to the sender of WOM, receiver of WOM and the relationship between both of them.

3. 4. 1 Dependent Variable

Influence of Sender's Word-of-Mouth on Receiver's Purchase Decision

As stated by Arndt (1967b), " word-of-mouth is normally purposeful and serves important ends for the communicators [sender and receiver]". As discussed in this thesis, there are lots of motives for being engaged in a word-of-mouth episodes but the fact remains that word-of-mouth is a key process of information transmission and hence the researcher can conclude

that there is a certain influence that can range from low to high on the receiver of the word-of-mouth message.

Due to the unbiased nature of the word-of-mouth episodes occurring between the two communication dyads, sender and receiver, there is another proof of the importance and effect resulting from such communication. As mentioned before, this effect will be much higher when the receiver of the word-of-mouth message is not aware of any monetary or commercial gain for the sender. In addition, the study of this variable " influence of sender's word-of-mouth on the receiver's purchase decision" is more important in the services industry as compared to the product industry due to the intangibility associated with services.

3. 4. 2 Independent Variables

The independent variables affect the dependent variable and will be given the letter " X" affecting the ultimate dependent variable "' Y" and will be operationalized as follows:

Senders Expertise X1

Bristor (1990) has defined expertise as the degree to which a person is capable of providing correct information about a certain product or service. He also mentioned that a person with high expertise level is expected to induce influence because receivers have little need to check the reality of the source's statements. A word-of-mouth sender is said to hold a high degree of expertise from the receiver's point of view if the sender enjoys an occupation or experience in a unique position. This uniqueness facilitates high level of experience (Voyer, 1999). From previous research, the

researcher can conclude that the word-of-mouth sender's expertise has a direct effect on the " influence of sender's word-of-mouth on the receiver's purchase decision" dependent variable. Gilly et al. (1998) study confirmed that if the receiver of word-of-mouth is highly seeking an expert sender, then it is highly expected that the sender will have an influential impact on the receiver's purchase decision. Voyer (1999) found that those persons who are ranked high in terms of expertise are enjoying greater awareness and knowledge regarding product and service alternatives in the market. This is particularly useful for the receiver in a service purchase decision context when reliance on experts' opinions becomes significant.

Sender's Satisfaction Level X2

As per Ozcan (2004), satisfaction and dissatisfaction with a service is the " single most widely studied and confirmed antecedent of word-of-mouth in marketing literature". Ozcan (2004) mentioned that satisfaction and dissatisfaction can normally lead to the generation of word-of-mouth. Satisfaction/dissatisfaction research, largely, assumes that negative word-of-mouth is a normal result of complaint behavior and positive word-of-mouth is a result of a satisfying experience.

There are many behavioral factors related to the service which are very effective in motivating a consumer to generate word-of-mouth as a recommendation or a warning. For example, if the consumer was engaged in a complaining behavior episode recently, this will make those negative thoughts and emotions about the product/service significant in the consumer's short-term memory; which will then most likely resurface in one's conversations with others (Ozcan, 2004). On the other hand,

consumers will always find ways during their conversations with others to express positively their opinions and thoughts when they have a satisfying experience with a certain product/service which they have achieved high commitment and loyalty levels. (Ozcan, 2004).

Receiver's Expertise X3

Consumer that has high level of expertise normally has resistance psychology behavior towards others' comments. Due to high level of expertise, one has developed greater self-confident and will not easily been influenced by other WOM information. Therefore, we expect receiver expertise should be negatively related to the influence of WOM. Further, Voyer (1999) concludes that consumers with prior knowledge (high level of expertise) of a certain product/service will be less affected by word-of-mouth from another source. Therefore, it can be rationalized that word-of-mouth information effect on the receiver will most likely be low when the receiver's expertise is high and vice versa.

Receiver's Perceived Risk X4

Ha (2002) found that information from word-of-mouth is more likely to influence individuals when they are in a high involvement purchase situation.

Zeitbaml and Bitner (2003) confirmed the importance of the variable under study (consumer's perceived risk) and emphasized the role of risk within a service purchase decision context. Due to the intangibility of services, there is an apparent greater level of risk associated with the purchase of services compared to product purchase decisions. As mentioned, consumers in an effort to reduce the risk associated with service purchase, they tend to

engage in an information gathering efforts. Engagement in a word-of-mouth episode is considered to be the most important mean for reducing this risk due to the existing possibility of clarification and feedback opportunities (Murray, 1991). The researcher concludes that the influence of word-of-mouth is much higher in a high risk service purchase situations as opposed to a low risk scenario.

Sender and Receiver Tie Strength X5

Tie strength is defined as the potency of the bond between members of a network (Granovetter 1973). Operationally, however, tie strength can be measured using a variety of variables such as the importance attached to the social relation (Ibarra 1997; Keister 1999), frequency of social contact (Granovetter 1973; Nelson 1989), and the type of social relationship between the members of a dyad (Brown and Reingen 1987). Tie strength, in turn, has been found to affect a number of outcomes such as word-of-mouth propagation (Brown and Reingen 1987), inter group conflict (Nelson 1989), and career advancement (Ibarra 1997) in organizations. In sender and receiver context, if the strength of the tie is weak, receiver will be less affected by any such consequences and therefore should be less influence by sender's word-of-mouth information. In contrast, when the tie is strong, receiver fearing negatives consequences for their relationship and therefore should be more influence by sender's word-of-mouth information. Therefore, we expect tie strength should be positively related to the influence of word-of-mouth.

3. 4. 3 Moderating Variables

The demographic variables are expected to act as moderating variables in the proposed theoretical framework which is forecasted to change the relationship between the independent and dependent variables. There are 5 demographic variables that were studied to establish their moderating influence on word-of-mouth behavior. For example, Ozcan (2004) stated that age moderates word-of-mouth as older consumers tend to have both the time and wider social network to supply and receive word-of-mouth communication messages. In addition, Arndt (1967b) provided some evidence that higher social class and social status minimizes word-of-mouth communications to consumers lower in social class. Social class can be acquired from the educational level and the household income for the consumers. The demographic variables under study are age, gender, profession, educational level, and income.

3. 4. 4 Assumptions

A1: Country economic and political factors are out of scope of this research.

A2: A relationship exists between the model's variables.

3. 4. 5 Limitations

L1: The study is limited to the Egyptian GSM industry.

L2: The theoretical framework is limited to the variables included in it.

L3: Retrospective data is a limitation of this research.

3. 5 Research Questions and Hypothesis

3. 5. 1 Major Research Questions

What is the effect of the word-of-mouth sender on the receiver purchase

decision of a GSM mobile line in the Egyptian GSM services industry?

3. 5. 2 Minor Research Questions

What are the factors associated with word-of-mouth?

What are the motives for engaging in word-of-mouth?

How can Egyptian GSM telecommunication service companies include word

of-mouth in the development of their marketing strategy?

3. 5. 3 Research Hypotheses

Alternate Hypothesis I:

The sender's level of expertise is positively related to the influence level of

the sender's word-of-mouth on the receiver's purchase decision.

Alternate Hypothesis II:

The sender satisfaction level of service is positively related to the influence

level of the sender's word-of-mouth on the receiver's purchase decision.

Alternate Hypothesis III:

The receiver's level of expertise is negatively related to the influence level of

the sender's word-of-mouth on the receiver's purchase decision.

Alternate Hypothesis VI:

The receiver's perceived risk of the service is positively related to the influence level of the sender's word-of-mouth on the receiver's purchase decision.

Alternate Hypothesis V:

The strength of the tie between the sender and receiver of word-of-mouth is positively related to the influence level of the sender's word-of-mouth on the receiver's purchase decision.

3. 6 Research Methodology

3. 6. 1 Research Type

Since the purpose of this research is to explore and analyze the word-of-mouth processes and their effect on the service purchase intentions in the Egyptian GSM services industry; the research is considered analytical type. These processes and associated word-of-mouth factors are considered to be qualitative in nature. Discovering how different word-of-mouth factors interact together is considered to be a way for the Egyptian GSM services companies to understand the processes and effects of word-of-mouth communications and hence include them into their marketing strategy and therefore, the research is applied to the case of the Egyptian GSM services industry. Since this study seeks to a deeper understanding of word-of-mouth processes in the services industry and contributes to the Marketing and Consumer Behavior literature, the logic is considered to be partially inductive and the type of investigation is correlation where the relationships between

the different variables were investigated. Finally, the process that was followed during the research included quantitative techniques.

3. 6. 2 Sampling Methods

There are two types of sampling techniques; probability sampling and non-probability sampling (Sekaran, 2003). The population under study is the existing mobile network subscribers who purchased their mobile phone lines and received pre-purchase information via word-of-mouth. Random sample technique was used due to its nature of being the least bias and provides the researcher with high generalization level.

For Mobinil, Vodafone and Etisalat mobile subscribers, there are more than 60 million active subscribers from which a random sample of more than 300 subscribers was selected". The sample size was determined according to (Sekaran, 2003).

3. 6. 3 Data Collection Instrument and Source

Primary data was collected during this research study for existing GSM mobile line holders, a questionnaire was designed and a research was conducted through e-mail and printed copies.

For this survey, the researcher tried his best to put up the questions in such a way that the respondents were able to answer easily. An interval rating scale was used to measure the evaluation of respondents to certain statements posed regarding the different variables. The researcher claims that using a scale makes life easier for the respondents as the population under study belongs to various social strata and some maybe of limited

education and/or social sophistication. The questionnaire is presented in appendix " A".

The questionnaire was divided into three sections. Section A was about the demography of the respondents, section B and section C were to measure the responses of each independent variable. For section B and section C, multi-item scales were employed for measuring the independent variables. All items are five-point Likert scales, ranging from 1 (strongly disagree) to 5 (strongly agree).

3. 6. 4 Data Analysis Methods

As mentioned, a questionnaire survey was used to collect the required information and data in order to test the hypotheses. The target participants were filtered to the ones who actually purchased a mobile phone line from any of the existing three service providers after engaging in a word-of-mouth episode with one of their acquaintances. The main issue under study is, therefore, how they became aware of these service providers and how the word-of-mouth affected their purchase decisions.

The collected data was revised, coded, tabulated and introduced to a PC using Statistical Package for Social Science (SPSS 15. 0. 1) for windows. Descriptive statistics was used to test the dependent and independent variables. Regression analysis was used to rank the importance and the weight of each of the factors that can affect the receiver's purchase decision. In order to measure the relationship between the independent variables and the dependent variable, the research tested the linear regression, checking the T parameter with the significant T, and ranking the intensity of influence

of the independent variables over the dependent variable using Beta (B). In the following chapter, the researcher presents the data analysis, discussion of results and findings.