

The Influence of Word-of-Mouth Communication on Consumers' Choice of Selected Products in Nigeria

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Abstract

This study examined the influence of word-of-mouth communication on consumers' choice of selected products in Nigeria. To this end, the study evaluated also factors that induce word-of-mouth. In all, a total of three objectives were developed and in an attempt to test them, a survey research method was used. Sample was drawn from consumers of selected companies' products in Lagos, Rivers, and Anambra States; while the tools used for hypotheses testing included Pearson product moment correlation coefficient and the OLS. The results of the study shows that Consumers' interactions through word-of-mouth (WOM) had a major impact on consumer response to a product and that quality product induces word-of-mouth communications, and largely driven by Consumer-orientation. It was however recommended that organizations' emphasis should be directed at consumers' satisfaction that would in turn propel repeat purchase and instigate satisfied consumers to be organizations best sales' persons, rather than incurring huge expenses on communication and other promo-tools.

Keywords: Word-of-mouth communication, Consumer-orientation, Quality-focus, Customer satisfaction and referrals

1.1 Background of the Study

The challenge of getting the attention of and remaining in the mind of the consumers have steadily increased, requiring organisations to create well-planned and comprehensive marketing communication programmes in order to achieve company objectives. All marketing efforts should be, market focused, consumer oriented, backed by integrated/co-ordinated marketing aimed at generating customer satisfaction as the key to satisfying organizational goals to enhance competitive edge.

The harsh realities we all have to confront require, organizations to be creative and innovative through word-of-mouth communication to enable consumers make positive purchase decisions among competing alternatives, recognizing that consumers do not just buy products or services, they buy utility, they buy solution, they buy benefit. And where satisfaction is achieved the consumers become the organization's best sales person; telling others through word-of-mouth about their experience.

Holloway and Robinson (2000) recognized that much communication about products actually takes place by word-of-mouth recommendation. Westbrook (1987) defined word-of-mouth as the opinion which consumers communicate to others in an unofficial way after they have used a product or taken a service. In the view of Bristor (1990), word-of-mouth is the approach to obtain others' experiences through the interaction of social network. This information communication channel is normally thought to be more neutral and more reliable, because it is mostly generated directly by consumers rather than by companies.

Word of mouth is now the vogue for informal communication. The advent of cell phone has even made it improve beyond all imagination. Most products are sold on the basis of recommendation by users, and observers, who experience demonstration or read catalogue or literature of products and inform others. This has contributed in no small measure to sales growth. However, it is doubtful that any Nigerian organization has taken the interest to explore this rare means of communication that could contribute to greater sales of products. The advantages of Nigeria's multilingual background, cultural heritage and especially belief in tradition as well as belief in opinion leaders in families and society could influence consumers' choice of products through WOM communication.

Extant literature on marketing in Nigeria has failed to address the issue of inadequate evaluation of both formal and informal marketing communication tools on sales response, customer loyalty with sufficient rigour, as sales response is a multivariate function which may not be easily related directly to advertising or sales promotion as done by past researchers, despite the huge amount of capital spent on advertising and other promo-tools. Most times, these expenditures are as much as 30% of the firms' revenue (Sverrir, 2000). The effects of some extraneous marketing variable such as word-of-mouth communication which basically cost nothing; are not accounted for in the evaluation, as observed that, consumers unconsciously make recommendations about a product based on their experiences. Past attempts to measure WOM communication in Nigeria have been skimpy, existing literatures have also failed to consider word-of-mouth communication driven by consumer-orientation and quality-focus which has completely changed the scenarios of marketing in Nigeria.

It is the pervasive nature of the influence of such consumer induced communication on purchase behaviour that

makes it expedient to assess how word-of-mouth communication impact upon consumers' choice of selected products in Southern Nigeria. In view of this, the following objectives were to be evaluated:

- To assess the effects of word-of-mouth communication on consumer purchase decision of consumers' choice of products of selected organisations.
- To evaluate the effects of consumer-orientation on word-of-mouth communication of consumers' choice of products of selected organisations, and
- To evaluate the effects of quality focus on word-of-mouth communication of consumers' choice of products of selected organisations.

2 Review of related literature and theoretical framework

2.1 Introduction

For a business to succeed in a competitive market where different brands compete for patronage and consumers have freedom of choice, coupled with high running costs, there is need for proper and exhaustive realization and understanding of what the consumers need and what they feel about the company' products and services. Organisations are required to be consumer-oriented and quality-focus on utility creation to satisfy consumer's need, which invariably is translated into motivation and is expressed through word-of-mouth.

2.2 Word of mouth communication

Word-of-mouth refers to the passing of information by verbal means, especially recommendations, and also general information, in an informal, person-to-person manner. Word-of-mouth is typically considered face-to-face spoken communication, although telephone conversations, text messages sent via SMS, and web dialogue, such as online profile pages, blog posts, instant messages, and e-mails are also included in the purview of word-of-mouth communication (Palmer, 2005). It is believed that this form of communication has valuable source credibility i.e. opinion leaders, co-workers, neighbours, friends and relatives that are more likely to influence consumers' choice than any other source of information at little or no cost (Eze&Ozo, 2005). The word-of-mouth testimonial is an extremely important factor in the calculus of the consumers' final purchasing decision. It can even be a more influential factor than mass media communication (Technical, 1980).

Susskind (2002) defined "word-of-mouth" as a communication in which people share their evaluations and assessments on service providers and service products. It has been widely acknowledged as an informal communication source between consumers that has great economic impact (Gremier, 1994). Word of mouth referrals have been identified as a primary source of influence in consumer repurchase decision making. It is in view of this that WOM communication draws its underpinnings from Lord Frederic's Item Response Theory. It was discovered that items have the capacity of being talked about if they are interesting (Baker, 2001). Relationship between interest and WOM varied over time (Palmer, 2005). While more interesting products received more immediate WOM they did not receive any more ongoing WOM. This suggests the reason why more interesting products are talked about more, right after people first get them.

2.3 Benefit of Word Of Mouth

Sverrir (2000) also specified that influence from friends and relatives, or "word of mouth", were about 2.33 times more important as a factor influencing the consumer's decision, than direct communication was. This gives an indication of the importance of the information and views that people receive from their friends, relatives and colleagues, as opposed to information received from direct communication and brochures.

Kiwisoutback (2011) specifies that traditional advertising costs money, and is not very effective in many circumstances, whereas word-of mouth is free, and the most effective type of marketing. Purchases made by consumers in most occasions do not warrant research, they simply use word-of-mouth, and they trust it, whether they realize it or not!

Jacques, Jonathan, and Ole, (2010) specified that the rewards of pursuing excellence in word-of-mouth marketing are huge, and it can deliver a sustainable and significant competitive edge. However, it is interesting to know that Word-of-mouth communication is much more than motivating current clients to talk to prospects on your behalf. Under promising and over delivering for your customers and catering to their needs versus your own is how you keep your past and present customers. Earned referrals should be the consequence of your actions, not your self-serving agenda.

Word-of-mouth does not necessarily have a price-tag associated with it. Word-of-mouth can easily be free. Businesses that do a good job serving a customer's needs can easily lead to positive word-of-mouth. For example, a customer service representative can be extremely nice while helping a customer. Being nice does not cost anything, but goes a long way in the customer's mind.

More so, applicability of word of mouth tool is cost efficient as it gives the marketer the propensity to reduce the cost of marketing activities if advertising, sales promotion and other communication tools are overstretching the company's expenditure; by this, companies gain (in term of cost, quality, and the speed with which new products are developed) (Beredugo & Mefor, 2012). Horngren, Datar, Foster, Rajan, and Ittner, (2008) also specified that the cost-efficiency approach should be used in making these decisions: resources should be spent if the expected

benefits to the company exceed the expected costs. Nevertheless, the cost efficiency is useful for making resource-allocation decisions. However, in view of the subject matter, emphasis must be placed on the production of goods and services through the eyes of the consumers. Such a product should be of high quality such that it provokes anticipated satisfaction even when such activities would gulp a higher cost. It can be identified that such cost could be outweighed by reduced expenditure on other communication tools as the satisfied consumer now becomes the company's sales person.

2.4 Customer Orientation and word-of-mouth communication.

Opinions from several researchers proved that customer-oriented companies can increase customer satisfaction and value by creating customers' expected demand and by providing high quality commodity and service (Jaworski & Ajayi, 1993). The customer-oriented product delivery can also help develop the long-term relationship between customers and enterprises (Saxe and Weitz, 1982). Customer orientation is also regarded as an act of producing goods and services through consumers' eyes, giving consumers what they want, how they want it, when they want it and where they want it. This no doubt would propel satisfied consumers to tell others of their experiences. Consumers are more inclined to take into account what others tell them, especially online. This however makes their relationship indispensable and worthwhile in a dwindling market like Nigeria.

2.5 Quality-Focus and word-of-mouth communication.

Quality reinforces positive perception of the company's products. Business effort begins with the consumer and ends with the consumer, and products are produced to meet consumers' specifications on quality and making them available to consumers as at when due (Bath, 2008). Quality is defined as a consumer's judgment on the pleasure of excellence or superiority that a product or service provided (Patrick, 2002). Such quality breeds satisfaction which serves as function of repurchases decision and referral to family, friend and colleagues.

2.6 The Relationship between Consumer-Orientation, Quality-Focus, Customer Satisfaction and Word-Of-Mouth Communications

Edvardsson, Johnson, Gustafsson and Strandvik, (2000) suggested that companies should establish a system that ensures that all activities lead towards customer satisfaction. According to a market economy, businesses compete to satisfy customers and economic prosperity is based on increase in customer satisfaction (Anderson & Fornell, 2000). Perceived quality is expected to have a direct and positive influence on customer satisfaction. Concept of expectations is the standard against performance outcomes (Szymanski & Henard, 2001). Therefore, if consumer's actual outcomes exceed expectations, the consumer will be considered as satisfied, otherwise if expectations exceed outcomes, the consumer will be considered as dissatisfied. Dagger and Sweeney (2007) argued that, due to intense competition in the service sector; service providers are laying more emphasis on service quality to achieve market leadership.

Matzler, Wurtele and Renzl (2006) argued that if perceived quality is more than perceived costs, then customer value is high; but if cost is more than quality, then customer value is low. This concept is also known as price-quality ratio. If price will be high, the satisfaction with price will be high. If there are no hidden costs and if prices do not change unexpectedly customers will perceive high price reliability (Matzler et al, 2006).

Hence, measurement of perceived value (i.e. price to quality ratio) is very important. Takala, Bhufhai and Phusavat (2006) explained another important factor regarding importance of customer satisfaction: that perceived value both directly and indirectly influence customer satisfaction. In some industries, quality may have a significant and positive relationship on customer satisfaction which may not be the case in other industries (Al-Hawari & Ward, 2006).

Here, this study established the mediating role of consumer orientation and quality focus attributes to customer satisfaction that invariably leads to referral or word of mouth communication in lieu of excessive expenditure on other communication tools as depicted by figure 1.0 below. As such, more R&D should be done on product-quality and meeting consumer specifications, so as to take advantage of the resultant effect of the satisfaction derived by the consumers in being their best sales person, which leads to reduction in promotion cost, increase in sales and high profitability. Consistent with this notion, the study suggests that products need to be interesting to spur discussion and organisations must be consumer orientated, i.e. doing consumers specifications, as to what the consumer wants, how he wants it, when he wants it and where he wants it and the purpose he wants it, while ensuring quality.

3.0 Research methodology

The study employs the survey research design. This involved the administering of questionnaire to the customers of selected organisations in Lagos (Lagos State), Port Harcourt (River State), and Awka/Onitsha (Anambra State). These cities were seen as the economic hubs of these zones.

The estimated populations of the organizations used were 1,285,406 for Lagos, 685,004 for Port Harcourt and 450,430 for Awka/Onitsha (Companies' Hand Books, 2011). In all, the total population for the study was 2,420,840; while the sample size of 400 respondents was used after the application of Yamane (1965) statistical formula.

The stratified random sampling technique was also used and respondents were delineated as follows: Lagos, 212; Port Harcourt, 113; Awka/Onitsha, 75. Questionnaire was administered to the customers of the selected companies in the three geo-political zones and the methods adopted for data presentation include tables and percentages. Pearson Product Moment Correlation Coefficient (PPMCC) and OLS were used for the hypothetical test.

4.1 Research result and findings

The response rate from 400 respondents shows a 387 (96.75%) return rate. However, in order to establish the relationship between the variables, the correlation matrix was developed based on the data collected from the respondents which equally augmented some of the results for the hypotheses tests. Insert table 1. Information from the correlated data shows a significant relationship between them and supports our conceptual framework. However, the t-statistics for the hypothesis 1 shows a positive significant relationship and that Word-of-Mouth (WOM) communication positively affects the consumer purchase behavior (CPB) of selected consumer products [$t_{cal} = 25.289 > t_{0.05} = 1.697$]. Same can be said for the quality focus which has a significant positive effect on consumer purchase behavior [$t_{cal} = 93.266 > t_{0.05} = 1.697$]; while the relationship between consumer orientation equally did not deviate from the assumption that it has a positive effect on consumer purchase behavior [$t_{cal} = 28.732 > t_{0.05} = 1.697$]. The R^2 which measures the goodness of fit of the regression equations show that the proportion or percentage of the total variation in the dependent variable explained by the various exploratory variables were very high. While the F statistics for all the equations show that the regression equation taken as a whole, significantly explain the variation in the dependent variables.

5.1 Summary of findings, Conclusion and recommendation

The result of the study shows that WOM communication significantly affects consumer purchase decision of consumers' choice of products of selected organisations, as shown by the p-value [$t_{cal} = 25.289 > t_{0.05} = 1.697$]. Discovered also was the fact that consumer-orientation induces WOM communications of consumers' choice of products of selected organisations [$t_{cal} = 28.732 > t_{0.05} = 1.697$], and that quality-focus induces WOM communications [$t_{cal} = 93.266 > t_{0.05} = 1.697$].

Word-of-mouth communication is driven by consumer orientation and product-quality which invariably propels satisfaction that psychologically instigate the satisfied customer to have positive things to talk about the products of the selected organisations, accentuating less and less expenses on promotion by the company, while increase in sales and profitability are ensured.

Based on the findings of the study, the following recommendations were proposed that Organizations should be creative and innovative through word-of-mouth to achieve organisation's marketing objectives and to enable consumers make positive purchase decisions among competing alternatives; and that organizations need to be consumer oriented and quality-focus if they must stay in business, minimizing huge communication budget which would result in profit maximization in a dwindling economy like Nigeria.

Recommended also was that organizations' products need to be interesting to spur positive discussion among consumers. This should be done by producing products/services through the consumers' specification (i. e. what they want, how they want it, when they want it and where and the purpose they want it); and organizations emphasis should be directed at consumer's satisfaction that would in turn propel repeat purchase and cause satisfied consumer to be organizations' best sales persons, while they should always embrace total quality to avert the erroneous fake product in the Nigerian market and reduce all forms of resentment associated with made in Nigerian products.

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Appendix

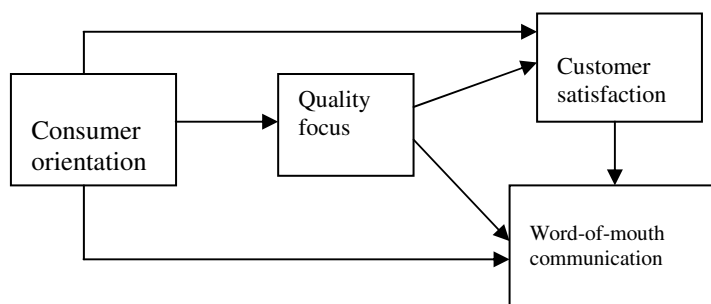


Fig. 1 Conceptual View of the Relationship between Consumer Orientations, Quality Focus, and Customer Satisfaction on Word Of Mouth Communications

Source: Developed by Researcher (2014)

TABLE 1 Correlations

		CON_ORI	WOM	QUALITY	CBP	CUS_SAT
CON_ORI	Pearson Correlation	1	.826**	.811**	.683**	.735**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	387	387	387	387	387
WOM	Pearson Correlation	.826**	1	.977**	.790**	.882**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	387	387	387	387	387
QUALITY	Pearson Correlation	.811**	.977**	1	.714**	.908**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	387	387	387	387	387
CBP	Pearson Correlation	.683**	.790**	.714**	1	.642**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	387	387	387	387	387
CUS_SAT	Pearson Correlation	.735**	.882**	.908**	.642**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	387	387	387	387	387

** Correlation is significant at the 0.01 level (2-tailed).
 SPSS Result, 2014

Table 2 Coefficients for hypothesis one, two and three^a

Model		Coefficients	Std. Error	T	Sig.	R	R Square	F
1	(Constant)	3.150	.248	12.691	.000			
	WOM	.242	.010	25.289	.000	.790 ^a	.624	639.517
2	(Constant)	4.589	.236	19.410	.000			
	QUALITY_FOCUS	1.205	.013	93.266	.000	.977 ^a	.954	8042.39
3	(Constant)	1.021	.857		.234			
	CON_ORIE	1.409	.049	28.732	.000	.826 ^a	.682	1272.56

a. Dependent Variable: CPB
 SPSS Result, 2014