PERCEIVED USEFULNESS AND WILLINGNESS TO RELY ON ADVERTISING VERSUS ELECTRONIC WORD-OF-MOUTH (eWOM)

Abdel Monim Shaltoni[1], Thomas Aichner[2]

[1]Alfaisal University, College of Business, Riyadh, Kingdom of Saudi Arabia
[2]John Cabot University, Department of Business Administration, Rome, Italy

Abstract: *This conference paper presents the preliminary results of an exploratory online survey about the perceived usefulness and customer's willingness to rely on advertising vs. electronic word-of-mouth when making purchase-related decisions. The objective is to shed light on a frequently postulated statement, which is consumers distrust advertising and prefer word-of-mouth. In addition, between-group differeces for a number of demographic variables are assessed in order to verify if there are opportunities to customize advertising and communication stimuli for different target segments. To this end, 739 British customers from all demographics participated in survey which led to interesting results that are relevant for research and practice and offer various opportunities for future research.*

Key Words: *Advertising, eWOM, Online Reviews, Consumer Perception*

1. INTRODUCTION

Static websites have been replaced with dynamic, highly customized experiences, i.e. the web 2.0 and semantic web. Digital platforms, such as websites, social media platforms, and mobile apps are increasingly being customized in a way that the overall experience appeals to the individual customer's needs and preferences. This customization of online experiences involves the automatic selection of the best stimuli to increase the chance of obtaining the wished response from the customer, e.g. to download an app, to request information or to buy a product.

Consumers are exposed to a multitude of stimuli, both online and offline. In a typical day, a European person sees hundreds – if not thousands – of packaged products, logos, advertisements, and the like. While this number has been increasing since industrialization, it has exploded during the internet and smartphone era [1].

There is a common understanding that consumers can be influenced and conditioned through advertising. Companies use both traditional (e.g., TV and radio) and new forms of advertising (e.g., Guerrilla marketing and social media ads) to gain customer's attention and shift their brand preferences or influence their purchase behaviour. However, consumers have grown an increasing distrust towards advertising [2, 3] and employ methods to avoid being exposed to advertising, e.g. zipping and zapping when watching TV or using ad blockers when browsing the internet. Especially customized ads may also elicit privacy concerns [4], mainly because personalized ads signal that the retailer has tracked and analysed data about the consumer's browsing activities and is willing to exploit these insights [5]. Although these customized ads are supposed to be much more influential than traditional ads because they are more relevant to the consumer, an inverse reaction is happening because consumers feel uncomfortable that companies are tracking them and may be violating their privacy [6]. Despite these concerns, advertising in general is still important, widely used by companies, and can lead to positive emotional reactions of consumers [7].

An alternative form of getting information about products, services, and companies has been word-of-mouth (WOM). As old as civilization, WOM has always been employed to evaluate product and service offerings in order to minimize risks associated when dealing with companies. Again, the internet and mobile devices have made it easier for customers to share their own experience and to read other's. This electronic WOM (eWOM), particularly online reviews, has been extensively researched [8] and is omnipresent on the Internet. Popular examples include Amazon's customer reviews, Google Street View ratings, IMDb ratings, and Facebook's business recommendations. Although these online reviews should be generally perceived to be

trustworthy, the emergence of fake online reviews has somewhat undermined the perceived value of eWOM [9].

Previous research has mainly focussed on assessing the impact of advertising and eWOM on consumer behaviour and consumer perceptions, respectively. Today, research has a good understanding how consumers evaluate advertising and eWOM information. A significant gap in the literature, which the current research is trying to fill, is how the two forms of information compare with each other. Specifically, this article explores the perceived usefulness and customer's willingness to rely on advertising vs. eWOM when making purchase-related decisions.

In the following, we provide details about the method employed in this research, followed by the results and implications as well as future research opportunities.

2. METHOD

The data presented in this article is the result of a between-subject online survey carried out on Pollfish.com, a mobile phone-based survey platform. In this specific case, a between-subject design is preferable to a within-subject design, mainly to avoid any demand effects that would result from asking respondents to assess both advertising and online reviews, which is the specific type of eWOM addressed in this article.

Therefore, each subject was randomly assigned to one of two versions of the online questionnaire and asked to complete the survey that took approximately 4 to 5 minutes. While in the first version respondents were asked to evaluate online reviews (eWOM), the second version was about advertising. Participants who completed the survey were given the chance to participate to a draw for an Amazon gift card.

In the following, details about the questions and the participants are provided.

2.1 Measures

First, respondents were provided with a definition of advertising and online reviews, respectively. This was to make sure they understand exactly what the following questions were about. The definitions read as follows for advertising: "All types of commercial messages, including TV ads, print ads, radio ads, online ads, etc." For online reviews it was: "Service evaluations and experiences written by other customers."

The perceived usefulness and willingness to rely on online reviews and advertising, respectively, was measured using Soh et al.'s [10] constructs with a total of eight items. Both the respondent's perceived usefulness and the willingness to rely on were assessed using four items each. Respondents were asked to indicate their level of agreement (1=strongly disagree, 5=strongly agree) to statements such as "Information conveyed in (national advertising/online reviews) is valuable." to measure usefulness and "I am willing to rely on (ad-conveyed information/information conveyed by online reviews) when making purchase-related decisions." to measure willingness to rely on. For a complete list of all items, please see Table 1.

Table 1. *Constructs and items/statements (Source:* [10])

Construct
Perceived usefulness
Information conveyed in (national advertising/online reviews) is valuable.
Information conveyed in (national advertising/online reviews) is good.
Information conveyed in (national advertising/online reviews) is useful.
Information conveyed in (national advertising/online reviews) helps people make the best decision.
Willingness to rely on
I am willing to rely on (ad-conveyed information/ information conveyed by online reviews) when making purchase-related decisions.
I am willing to make important purchase-related decisions based on (ad-conveyed information/ information conveyed by online reviews).
I am willing to consider the (ad-conveyed information/ information conveyed by online reviews) when making purchase-related decisions.
I am willing to recommend the product or service that I have seen in (ads/online reviews) to my friends or family.

Table 2. *Demographics of survey participants (n=739)*

Demographic dimension	Count	Percent
Age		
18-24 years	65	8.8%
25-34 years	207	28.0%
35-44 years	195	26.4%
45-54 years	170	23.0%
>54 years	102	13.8%
Marital status		
Married	283	38.3%
Single	220	29.8%
Living with partner	143	19.4%
Divorced	41	5.5%
Other and prefer not to say	52	7.0%
Education		
Middle school	55	7.4%
High school	189	25.6%
Vocational technical college	204	27.6%
University	205	27.7%
Postgraduate	86	11.6%
Race		
White	579	78.3%
Asian	51	6.9%
Black	31	4.2%
Arab	10	1.4%
Other and prefer not to say	68	9.2%

2.2. Participants

All participants (n=739) were residents of the United Kingdom. They were all mobile phone users and answered all questions on their own device. Overall, 53.0% of participants were male (n=392) and 47.0% were female (n=347). Age, marital status, education and race variables are reported in Table 2.

3. RESULTS

In this section, we first report descriptive statistics for the two constructs and the different demographic variables and second employ difference analysis to determine the degree to which any differences may exist in the population.

Table 3. *Perceived usefulness of and willingness to rely on advertising (n=369) and eWOM (n=370)*

Variable	Mean	SD
Perceived usefulness		
Advertising	3.18	0.84
eWOM	3.65	0.76
Willingness to rely on		
Advertising	3.02	0.92
eWOM	3.48	0.81

As shown in Table 3, both perceived usefulness and willingness to rely on are higher for eWOM as compared to advertising. These differences are significant for perceived usefulness, which is lower for advertising (3.18) than for eWOM (3.65), $t(737)=7.970$, $p<0.001$, and for willingness to rely on, which is also lower for advertising (3.02) than for eWOM (3.48), $t(737)=7.137$, $p<0.001$. These results confirm that consumers prefer eWOM over advertising.

In addition, we have tested whether customers are generally positive about advertising, assuming a value of 3 on the 5-point-scale indicates neutral evaluations with regard to the two tested variables. The results suggest that the perceived usefulness of advertising (3.18) is significantly different from 3 ($p<0.001$), while the willingness to rely on advertising (3.02) is not significantly different from 3 ($p=0.650$). In other words, consumers are neither willing nor unwilling to rely on advertising, but still find advertising slightly useful when making purchase-related decisions.

Table 4 presents the perceived usefulness of advertising and eWOM by demographic dimensions. The individual values are consistent with the overall picture and show that the usefulness of advertising is generally perceived to be lower than the usefulness of eWOM. The only exception is found in Arab respondents, which however must be ignored because of the very small sample size for this specific demographic dimension (n=10).

More interesting is a look at between-group differences, which suggests that, for example, eWOM is perceived to be more useful by woman compared to men ($m_{female}=3.74$, $m_{male}=3.57$, $t(368)=2.051$, $p<0.05$). The observed differences for the perceived usefulness of advertising are however not significantly different

between the two groups. When it comes to assessing these differences for willingness to rely on (see Table 5), there are no significant differences between male and female respondents for eWOM, but for advertising, which man are more willing to rely on when making purchase-related decisions than woman ($m_{female}=3.11$, $m_{male}=2.92$, $t(367)=2.049$, $p<0.05$).

Table 4. *Perceived usefulness of advertising (n=369) and eWOM (n=370) by demographic dimensions*

Variable	Advertising		eWOM	
	Mean	SD	Mean	SD
Gender				
Male	3.23	0.85	3.57	0.79
Female	3.12	0.83	3.74	0.73
Age				
18-24 years	3.01	0.69	3.52	0.82
25-34 years	3.16	0.81	3.63	0.86
35-44 years	3.38	0.89	3.77	0.69
45-54 years	3.15	0.85	3.62	0.73
>54 years	3.04	0.87	3.58	0.75
Marital status				
Married	3.31	0.82	3.68	0.69
Single	3.06	0.86	3.59	0.82
Liv. w/ partner	3.13	0.78	3.65	0.80
Divorced	3.39	0.68	3.86	0.77
Other and PNS	2.98	1.04	3.63	0.81
Education				
Middle school	2.94	1.13	3.34	0.84
High school	3.36	0.80	3.70	0.73
Voc. college	3.13	0.76	3.65	0.81
University	3.12	0.79	3.66	0.78
Postgraduate	3.22	0.94	3.75	0.55
Race				
White	3.24	0.80	3.70	0.73
Asian	3.53	0.58	3.56	0.80
Black	3.22	1.10	3.70	1.13
Arab	3.13	0.56	2.26	1.25
Other and PNS	2.49	0.91	3.42	0.74

The willingness to rely on advertising and eWOM, respectively, is more pronounced for eWOM for all demographic segments and therefore offers limited additional insight into this aspect of perceived differences between the two forms of communication, except, of course, the fact that this finding applies for both male and female customers of all age groups and irrespective of their marital status, education, and race.

Table 5. _Willingness to rely on_ advertising (n=369) and
eWOM (n=370) by demographic dimensions

Variable	Advertising		eWOM	
	Mean	SD	Mean	SD
Gender				
Male	3.11	0.92	3.47	0.83
Female	2.92	0.91	3.48	0.80
Age				
18-24 years	3.05	0.87	3.43	0.78
25-34 years	3.16	0.84	3.43	0.95
35-44 years	3.10	0.92	3.65	0.67
45-54 years	2.84	1.05	3.44	0.85
>54 years	2.82	0.86	3.32	0.75
Marital status				
Married	3.10	0.94	3.47	0.80
Single	2.78	0.97	3.33	0.80
Liv. w/ partner	3.17	0.81	3.68	0.79
Divorced	3.21	0.71	3.66	0.76
Other	2.99	0.93	3.49	0.96
Education				
Middle school	3.08	0.75	3.26	0.80
High school	2.86	1.06	3.39	0.82
Voc. college	2.95	0.83	3.49	0.87
University	3.10	0.86	3.58	0.76
Postgraduate	3.29	0.94	3.52	0.78
Race				
White	2.99	0.91	3.47	0.80
Asian	3.34	0.81	3.62	0.75
Black	3.47	0.84	3.71	1.06
Arab	3.00	1.06	3.81	0.38
Other	2.85	1.02	3.26	0.88

4. DISCUSSION AND CONCLUSIONS

The objective of this exploratory study was to assess differences in the perceived usefulness and willingness to rely on advertising versus eWOM when making purchase-related decisions. This is especially relevant for marketing managers who want to customize the offline and online experience of specific target segments in order to make the overall purchase experience more relevant, pleasant, and increase return on investment.

The major finding is that customers find eWOM to be significantly more useful than advertising. Similarly, customers are more willing to rely on eWOM than advertising when making purchase-related decisions. Interestingly, both advertising and eWOM are generally perceived to be rather useful. This means that, although advertising has a generally negative image, customers still believe that information conveyed in national advertising is somewhat valuable. This adds to the advertising literature as it confirms that advertising is not just helpful in conditioning customers but that they actually find value in being exposed to ads.

Another relevant finding is that eWOM outperforms advertising consistently in all demographic segments. From a customization perspective this implies that advertisers and marketers should generally favour eWOM stimuli over advertising, if possible. For example, the results of this research suggest that it would always be preferable to show an eWOM stimulus (e.g., a review score or a customer rating) rather than a traditional ad to prospective customers or users, as eWOM is always perceived as being both more useful and more reliable than advertising. In practice, this could also mean that customer reviews and evaluations are more frequently used as elements in traditional advertising, for example by showing the average rating of customers rather than another type of stimulus in an online ad. This approach may solve some of the potential challenges related to the trade-off between customizing ads to individual consumer's needs and the demand for personal data required to do so [11], as it suggests that eWOM is generally more likely to be perceived as useful and customers are generally more willing to rely on eWOM rather than advertising.

The current research is limited as it assesses two forms of information, while there are multiple touchpoints involved when selling products and services to customers, including in mass customization [12, 13]. Future research should therefore be extended to other types of WOM, e.g. online forums, which can have a major influence on customer's decision making [14] and traditional WOM, which has been shown to have a higher influence than eWOM in certain industries [15]. In addition, future research should employ specific stimuli, e.g. an actual print advertisement of a mass customizable product.

Finally, future research about differences in the perception of advertising vs. eWOM and potentially other forms of communication should be extended to other relevant dependent variables, such as willingness-to-pay, willingness-to-buy, affect, and perceived reliability. This could potentially lead to results that paint a more detailed picture and may suggest some customization of stimuli based on the company's objective and the customer's individual preferences and characteristics.

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CORRESPONDENCE

Dr. Abdel Monim Shaltoni
Alfaisal University
College of Business
P.O. Box 50927 11533 Riyadh
Kingdom of Saudi Arabia
ashaltoni[at]alfaisal.edu

Dr. Thomas Aichner
John Cabot University
Dep. of Business Administration
Via della Lungara 233
00165 Rome, Italy
mail[at]thomasaichner.eu