Relational Ties That Bind: a Service Consumer Approach to Enhancing Word of Mouth Influence

Peter Voyer, University of Windsor, Canada

Although word-of-mouth (WOM) is ubiquitous, much remains to be understood. I develop and test a consumer-focused conceptual model measuring influence of WOM on service purchase decision. Findings demonstrate a strong interaction effect between involvement and tie strength; and reinforce the complexity of the perceived risk construct, suggesting that it's multidimensional.

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EXTENDED ABSTRACT

Word of mouth (WOM) is ubiquitous, and one of the most prominent naturally-occurring phenomena in the marketplace (Kozinets et al. 2010). Its formidable power wields considerable influence on consumers, and this must be understood by CB researchers. The extant CB literature, though strong in many areas, requires more WOM research, especially in the service context. Here, I contribute to the CB literature by developing and testing a service consumer-focused conceptual model. The service setting (vs. goods) is appropriate since: perceived risk is salient (due to intangibility), and consumers must content with low search (and high experience and credence) qualities; WOM is used by consumers to palliate these conditions.

While prior studies in WOM have examined various direct effects associated with aspects of WOM, few have examined interaction effects. To my knowledge, no other empirical studies have examined non-interpersonal (service purchase involvement) and personal (tie strength) concepts together by modeling their direct effects and interaction effect on the influence of WOM. Also, unique to this study is the conceptualization of risk, modeled as two separate constructs (outcome risk and psychosocial risk).

CONCEPTUAL MODEL: DEFINITIONS AND HYPOTHESES

Overview of Model. This research was conducted within a framework of dyadic communication (sender-receiver) and centered on the interaction of interpersonal and non-interpersonal factors (Bansal and Voyer 2000). The model ultimately measures the endogenous (dependent) variable, influence of WOM (on receiver's service purchase decision), where I hypothesize two antecedent constructs: involvement; and tie strength; and that involvement’s effect is also moderated by tie strength. Further, two forms of perceived risk (outcome and psychosocial) are modeled as antecedents of involvement.

Essentially, there are two consumer-oriented relationships in effect: one is interpersonal, the receiver’s connection with the sender – tie strength; and the other is non-interpersonal, the receiver’s connection with the service purchase decision – involvement.

Construct Descriptions and Measures. The endogenous variable, influence of WOM, is, “the change in attitude and/or behavioral intention resulting from an interpersonal information exchange” (Gilly et al. 1998, p.84); measured by Gilly’s scale. Tie strength is defined as, “the strength of a tie is a combination (probably linear) of the amount of time, the emotional intensity, the intimate (mutual confiding), and the reciprocal services which characterize the tie” (Granovetter 1973, p.1361); measured by Frenzen and Davis’ (1990) scale. Involvement is the consumer’s perceived relevance of an object, or purchase decision, based on their inherent needs, values, and interests ( Zaichkowsky 1985); measured by Ratchford’s (1987) scale. I apply Peter and Tarpey’s (1975) two-dimensional approach to perceived risk: outcome risk (financial, overall performance, convenience); and psychosocial risk (psychological, social); measured using Murray and Schlacter’s (1990) items. Hypotheses are as follows:

Hypothesis 1 The greater the tie strength between the sender and the receiver, the greater the influence of the sender’s WOM on the receiver’s service purchase decision.

Hypothesis 2 The greater the receiver’s involvement with the service purchase, the greater the influence of the sender’s WOM (on the receiver’s service purchase decision).

Hypothesis 3 The stronger the tie strength (between the sender and receiver), the weaker the effect of involvement on the influence of WOM; and consequently, the weaker the tie strength (between the sender and receiver), the greater the effect of involvement on the influence of WOM.

Hypothesis 4 The higher the outcome risk associated with the service, the higher the level of involvement with the service purchase.

Hypothesis 5 The higher the psychosocial risk associated with the service, the higher the level of involvement with the service purchase.

METHOD AND DATA

Using survey methodology, I tested the model using a real-life (non-student) sample of participants. Participants (N = 165; Female 25.2%, M_age = 35.5 years, SD_age = 7.1) were newly posted military members and their dependents at a major army base in North America. Since military families usually move every two to three years, they must seek new service providers with each posting. WOM is the primary means by which service information is attained.

ANALYSES AND FINDINGS

A three-stage analytical process was used: (1) exploratory analyses including reliability and exploratory factor analyses (EFA) using SPSS; (2) confirmatory factor analysis (CFA) using Amos; and (3) hypothesized paths estimation (structural equation modeling). From EFAs, scales were refined as items that cross-loaded, and those that adversely impacted reliability were discarded. As anticipated, for the risk items, the two factors emerged; offering firm support for my formulation of risk. CFA was performed on retained scales together – all fit indices exceeded accepted minimal levels as the data fit was desirably non-significant [χ^2 = 54.81 (df = 55, p = .48), χ^2/df = 1.00, AGFI = .92, RNI = 1.00, CFI = 1.00, and RMSEA = .00]. Factor reliability, discriminant validity, and average variance extracted (AVE) were tested and found to be acceptable.

Findings demonstrated a strong interaction effect between involvement and tie strength; and that perceived risk (modeled as outcome risk and psychosocial risk) is an antecedent of involvement. Path coefficients and corresponding t-statistics were all significant confirming hypothesized relationships (H1, H5: p < .001; H2, H3: p < .01; H4: p < .05; all two-tailed tests). There was excellent data fit [χ^2 = 79.18 (df = 61, p = .06), χ^2/df = 1.30, AGFI = .90, RNI = .97, CFI = .98, and RMSEA = .04]; and R^2 = 17% (typical of similar studies). Additionally, the interaction effect was again examined in a post hoc regression analysis using median split data and found to be
statistically significant \( F(3,153) = 9.88, p < 0.001 \). Thus, support for Hypotheses 1, 2, and 3 was confirmed.

**CONCLUSIONS**

This study has made important and unique contributions to the CB WOM literature. By developing and testing a conceptual model with service consumer-focused constructs, I have expanded knowledge of WOM processes. Strong support was attained for the interaction effect between involvement and tie strength, both prominent constructs in CB. This significant interaction effect is a novel contribution to the CB WOM literature. Additionally, this study has reinforced the complexity of the perceived risk construct, suggesting that a multidimensional approach based on outcome and psychosocial aspects is appropriate.

**REFERENCES**


