

# iREVIEW

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## The role of online word-of-mouth in a high involvement decision context

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### Abstract

This study investigates the effects of online word-of-mouth (eWOM), in form of online reviews, on key pre-purchase variables in a high involvement decision context. To get a deeper understanding of what can cause these effects, the impact of source credibility and homophily was also tested. An experiment regarding the choice of master program was conducted, where a student review was contrasted against marketer generated information. The results of the experiment revealed that eWOM information is stickier than marketer generated information since it is more likely to be discussed afterwards, and that eWOM is more effective in affecting subjective expectations. Furthermore, the more credible the source is considered, and the more the reader can relate to the reviewer, the more influential the review will be. The study also confirmed that a third party website is considered less biased, and consequently more credible compared to a company affiliated website. Implications for marketers and suggestions on future research are discussed.

**Keywords:** eWOM; online reviews; high involvement decisions; expectations; University

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# 1. INTRODUCTION

*“A word from the mouth is like a stone from a sling.”*

- Spanish Proverb

## 1.1. Background

Word-of-mouth (WOM) is a communication channel marketers have known and tried to exploit for decades, if not centuries (Godes & Mayzlin, 2004). It is recognized as one of the most prominent forces within in the marketplace (e.g. Hutton & Mulhern, 2002; Katz & Lazarsfeld, 1957; Silverman, 1997; Whyte, 1954), and is distinguished by its strong persuasiveness, and high credibility. In addition, it has shown to be a more effective marketing communication tool than many of the traditional marketing communication techniques, e.g. advertising (Gruen et al., 2005). According to previous literature, this communication channel is particularly influential when customers tend to have little experience in a product or service category (Furse, et al., 1984; Gilly et al., 1998), who perceive a high risk in decision-making (Bansal & Voyer, 2000), who are deeply involved in the purchasing decision (Beatty & Smith, 1987), or when the product or service is of intangible nature and is not easily evaluated (Arndt, 1967; Webster, 1991). In addition to its high impact, the WOM message is generally known for its relatively short reach, as well as its difficulty to control for the marketer. Consequently WOM has often been considered a difficult tool to use strategically and efficiently on a large scale, which means that it has not been widely used by companies in their marketing communication mix.<sup>1</sup>

Arndt (1967, p. 3) defines WOM as an “oral, person-to-person communication between a receiver and a communicator whom the receiver perceives as noncommercial, regarding a brand, a product or a service”. While this definition still holds true for traditional WOM, a less personal yet more ubiquitous form of WOM has emerged with the advent of the internet (Sen & Lerman, 2007). On the internet, people do not interact orally through face-to-face communication; instead they only need to interact with their computers, communicating primarily through text. Thanks to the development of the “web 2.0”<sup>2</sup>, online WOM (eWOM) has become an increasingly interesting and usable tool for marketers, which has revived the academic interest for WOM (Sen & Lerman, 2007). The internet has revolutionized WOM in several ways. First of all it has

<sup>1</sup> WOM as a consequence of Viral marketing campaigns have however increased significantly the last couple of years

<sup>2</sup> Web 2.0 is generally referred to the evolution of the evermore interactive internet, where end-users, companies and programmers alike spend more time on the internet interacting.

changed WOM from being a low reach channel to a one-to-many communication channel. One person can communicate their opinions and recommendations to an infinite number of people with minimal efforts, amplifying the effect of WOM. Blogs, social networks, web forums, emails, rating sites, user reviews, commentary options, and buyer recommendations have emerged from all corners of World Wide Web, and have shown to affect our opinions and purchase behavior (e.g. Duan, Gu & Whinston, 2008; Godes & Mayzlin, 2004; Reigner, 2007). Secondly, as opposed to traditional WOM, the sender is usually anonymous to the receiver, lacking the traditional tie between the parties involved (Weiss et al., 2008). Thirdly, eWOM only activates when the sender access the information in some sort of way, mainly when searching for information (Sen & Lerman, 2007). Due to all these differences, eWOM has gotten a rather broad definition of its own. Henning-Thurau et al. (2004, p. 39) defines eWOM as "any positive or negative statement made by potential, actual or former customers about a product or company, which is made available to a multitude of people and institutions via the Internet". While they did not include services in this definition, the literature has since then incorporated it as well.

Today, eWOM is everywhere, and is gaining an ever increasing share of the customers' attention. Some blogs rate higher viewer statistics than newspapers, and social networks such as facebook or mySpace allow you to voice your opinions in front of thousands of other users (Reigner, 2007). Furthermore, consumer reviews are today found everywhere online, for almost every single product or service category. It has become an important source of information to consumers, complementing and even substituting other forms of business to consumer communication regarding product and service quality (Chevalier & Mazlin, 2006). Almost regardless of what you are about to purchase you have the option to be aided in your decision by other consumers' opinions and reviews. Traditionally, reviews have been posted on independent opinion platforms such as epinions.com or pricerunner.com. However, today we are observing a trend where the reviews are posted on the company affiliated site.<sup>3</sup>

Given the abundance of information available of varying quality on the internet, together with the ever increasing consumer searching cost, companies are starting to include consumer reviews, opinions and recommendations close to the point of purchase by including this type of information on their own websites Chatterjee (2001). The function according to Chen & Xie (2008, p. 477) is for the reviews to "...work as free sales assistants to help consumers identify the products that best match their idiosyncratic usage conditions". However, much is still unknown about the phenomenon.

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<sup>3</sup> See for example the websites of the LSE, Yale, HEC for universities, or for hotels, Crown Spa Hotel, The winter park hotel, or for news articles, [www.di.se](http://www.di.se) and [www.Svd.se](http://www.Svd.se).

## 1.2. Problem Area

As online word of mouth has become a growing social phenomenon, researchers have recently shown a large interest, and most agree that eWOM has the potential to affect the revenue stream of companies in one way or another, and therefore merits a thorough research.

Marketers today stand before the opportunity of taking control over the eWOM communication channel (Dellarocas, 2003), and many companies have already done so successfully. Given the surge in interest among practitioners to use user-reviews in their marketing, the need for a better understanding of how eWOM actually affects the customer has increased. This is especially true for high involvement purchase decisions, such as deciding on eye laser surgery, choice of GP, which hotel to book at annual family vacation, or choosing a university education where traditional WOM has shown to have a large influence on the receiver (cf. Beatty & Smith, 1987; Bansal & Voyer, 2000; De Bruyn & Lilien, 2008; Gilly et al., 1998). Given the proneness of consumers to take in advice from others in these decisions, a better understanding of how eWOM influence the consumer in this particularly type of context could have significant consequences on companies marketing efforts.

In addition, it is no secret that the internet is becoming an ever more important medium in our daily lives. With the increasing interactive usability that is now being observed, it is important to understand how other people that are strangers to you, influence your consumption behavior. Do internet users trust the reviews and opinions of anonymous reviewers? Can it be compared similar opinions from friends and family, or someone you have a strong tie to? As Brown & Reingen (1987) found, strong tie sources influence the receiver more than weak tie sources. In addition, companies can post reviews themselves, disguised as satisfied consumers thanks to the anonymity, or ask customers with strong company affiliation to write a positive review. How then are readers affected by eWOM information when the review can be dishonest or biased, and when the connection between the sender and the reviewer is of the weakest tie? Research has shown that people are aware of that this sort of disguised marketer generated information exists, and therefore customers, in general, discount the value of positive reviews more than negative reviews and are affected more strongly by negative reviews (Chevalier & Mayzlin, 2006). However, Sen & Lerman (2007) found that this negative bias only is prevalent in some product categories. With this in mind, it is acknowledged that it is still unknown to what extent positive reviews can affect the behavior of the reader, especially when the review is posted on the company website.

Furthermore, although previous research has shown that traditional WOM can influence the receiver's brand attitudes (Herr et al., 1991), brand awareness (Sheth, 1971), attention (Mikkelsen et al., 2003), consideration and intentions (Grewal et al., 2003), as well as expectations (Webster, 1991), this has not been applied on high involvement purchase context, not offline nor in an online environment.

Finally, an important inconsistency has emerged in the eWOM literature. To what extent are the available theories regarding offline WOM applicable in the online environment? Given that companies are starting to take control of the WOM message, in addition to the anonymity of the sender, the lack of spoken words, gestures and emotions, and the one-to-one personal touch, some scholars argue that we have moved far away from Arndt's definition of WOM posted above, and new theories are called for (c.f. Brown et al. 2007; Chatterjee, 2001; De Bruyn & Lilien, 2008). However, other researchers have found that existing theories still hold predictive power in the online environment (c.f. Bickart & Schindler, 2001; Godes & Mayzlin, 2004; Gruen et al., 2005; Sen & Lerman, 2007). This leaves us at a position where more research is called for to clarify to what extent the traditional theories are applicable online, and where new theories are needed.

### **1.3. Purpose**

The main purpose of this thesis is to determine how eWOM affects the receiver on key pre-purchase variables in a high involvement decision context.

An additional purpose is to create a better understanding of when certain characteristics of eWOM are important at affecting these key pre-purchasing variables.

Finally, as a peripheral purpose, this study is designed to shed some light at to what extent traditional offline WOM theories can be applied in an online environment.

### **1.4. Intended Contribution**

The topic of online word-of-mouth is a rather novel and increasingly important concept within the field of marketing, which to a large extent is unexplored. Ideally this study will contribute to the existing research regarding eWOM with original findings and through the application of traditional theories in a new context.

From an academic point of view I hope that this thesis will help people understand how eWOM affect consumers in high involvement decisions, and why this is the case. There has been written



surprisingly little about the effect of WOM, especially in the high involvement purchase context both in an offline and online environment (Bansal & Voyer, 2000). Also, by looking at established WOM theories, I will be able to look at to what extent traditional theories are applicable in this new context.

Most previous studies have only looked at one point in the nomological net surrounding WOM. Either researchers have looked at the reasons why people engage in WOM (antecedents of WOM), how this affects the receiver (consequences of WOM), or what mediating variables that can affect this relationship. This has resulted in a lack of detailed theories regarding the chain of events (Söderlund & Rosengren, 2007). Although I do not go into the reasons why people or institutions post or facilitate the posting of reviews, I will look at the relationship between the most common mediating variables and the consequences of eWOM.

From a practical point of view, I hope that this paper will help practitioners to better understand how eWOM affects the consumer. Ideally, this thesis will increase the comprehension of which contextual factors are necessary in order to facilitate and stimulate the use of reviews in high involvement decision contexts. Moreover, given that eWOM is becoming a more frequently used marketing tool, I hope that my research can contribute to a better understanding of the limitations of eWOM, and thus enable companies to make more strategic marketing allocations.

## **1.5. Delimitations**

In this paper I have had to make several sacrifices to bring it down to the scope and scale of a master thesis. First of all, this paper only looks at one type of eWOM which is reviews. It should be noted that eWOM according to Henning-Thurau et al. (2004, p. 39), also include emails, blogs, social networks, chat, web forums etc.. I chose to look at reviews as this is what has grown most rapidly the last couple of years (Reigner, 2007), and what comes practitioners closest to hand. It has previously been distinguished between WOM in form of explicit recommendations and opinions (Söderlund & Rosengren, 2007). The eWOM message in this thesis is formed as an opinion and may consequently not be applicable to outright recommendations.

Secondly, I will in this thesis use the choice of master program as an example of, and subsequently an illustration of a high involvement decisions. It should be noted that by applying it to the choice of postgraduate education, I limit the scope of the thesis to high involvement decisions concerning services. Therefore my findings may not be directly applicable towards high involvement goods, and other types of products. There are of course other services I could have used to study eWOM in high involvement situations, e.g. choice of GP or surgeon to perform

laser eye surgery. However, given the necessity for European universities to think over their marketing strategies due to the Bologna process, and the perfect fit for high involvement services as will be discussed in the method chapter later, choosing a master program seemed to be the ideal situation to study eWOM.

Thirdly, many scholars have found that valence (i.e. if the message is positive or negative) has a large influence on how WOM and eWOM affects the receiver (e.g. Chevalier & Mayzlin, 2006; Sen & Lerman, 2007). I will only focus on positive reviews as this is most interesting from a marketers' perspective, and is what you generally see on both university websites as well as on third party opinion platforms, such as [www.mastersportal.eu](http://www.mastersportal.eu).

Fourthly, one would ideally look at all the possible behavioral aspects of the receiver that eWOM can affect. However, I have limited myself, in only looking at the most common and most relevant factors that previous research has shown can lead up to an actual purchase or action.

Fifthly, the subjects used in this study were all Swedish university students that were about to, or had just made their decision regarding master studies, limiting the scope of the study to Sweden. This is important to acknowledge as the online behavior between countries can differ remarkably. This because (1) the internet is adopted at different rates in different countries, and experience is bound to affect how the internet and eWOM is being used. (2) Many review sites are in English, which creates linguistic constraints on users with lower English skills, and (3), when looking at master programs, the experiences between countries differ due to the educational structure in the countries. However, since Sweden is considered as one of the most evolved IT countries, even if results are not directly applicable to other markets, it may in fact have some predictive value of the role of online reviews in other countries in the future.

Finally, given the difficulty of observing how eWOM affects the receiver in high involvement situations when it actually happens, I can with my experimental approach only look at intentions, and not actual actions.

## **1.6. Disposition**

The rest of this paper is divided in to four chapters. The next chapter aims to give the reader a better understanding of the current state of theories regarding WOM and eWOM, by looking at the most relevant findings. Subsequently, the theories will be narrowed down, and used to support the tested hypotheses. Chapter three deals with the methodology used to carry out the experiment in the study. In this section a review of the approach, design of the study, measures

and data collection, together with comments on the reliability and validity will be presented. This section will be useful for readers wishing to replicate the study. The fourth chapter will present and analyze the results from the hypotheses testing. Here the most interesting findings will be analyzed by relating it back to the theories on which they were based upon. The thesis will then be concluded in chapter five with a discussion of the results, and implications for marketers. A critical review of the paper and suggestions of future studies with in this field will also be discussed.

## **1.7. Definitions**

### **High involvement purchase decisions**

A purchase decision that requires the involvement of the consumer. It is characterized by higher costs, more risk, more active consumer search and research prior to purchase, enjoys higher brand loyalty, and lower brand recall. Examples of high involvement purchase decisions are deciding on clinic of surgery, the purchase of a luxury car, decision of which university to study at and what masters program to choose. (Dick & Basu, 1994)

### **WOM – Word of Mouth**

“An oral, person-to-person communication between a receiver and a communicator whom the receiver perceives as noncommercial, regarding a brand, a product or a service” (Arndt, 1967, p. 3)

### **eWOM – Online Word of Mouth**

“Any positive or negative statement made by potential, actual or former customers about a product or company, which is made available to a multitude of people and institutions via the Internet” (Henning-Thurau et al., 2004, p. 39)

### **Web 2.0**

Web 2.0 is a term with numerous definitions; however, it is commonly associated with the development and evolution of how the internet is being used, where end-users, developers and companies alike are utilizing the internet evermore interactively.

## **2. CONCEPTUAL BACKGROUND AND RESEARCH HYPOTHESES**

### **2.1. eWOM in high engagement service situations**

When a consumer is about to make a decision, he will either consult internal or external information sources to back up the decision. This means, he will make use of the knowledge and experiences he already possess, or actively go out and search for information (Schmidt & Spreng, 1996). It has been shown that external sources are used less frequently, and are usually called for when a decision involves a high level of perceived risk, and in areas where the consumer has little or no prior knowledge and experience (cf. Beatty & Smith, 1987; Murray, 1991). Among the external sources of information, WOM has shown to be more important in the decision process when purchasing services. Compared to products which in general are perceived of less risk, Murray (1991) found that consumers usually turn to personal sources of information when they are about to purchase a service, thus using their advices, testimonials and experiences as basis for their own decision. The rationale for choosing personal sources according to Murray (1991) is that these traditional WOM sources are more trustworthy than marketer generated information. However, from the economic literature, some theories have hinted that people tend to take advice from others due to economic reasons such as searching costs, because WOM information is closer at hand (Klein & Ford, 2003).

Today, when the internet has become the primary medium of information search for many people, searching costs has gone down dramatically, and relevant information for ones decisions can quickly and easily be found. However, as Sen & Lerman (2007) points out, there is an abundance of information all over the internet, on many different sites, and of varying quality. It is therefore difficult for a customer searching for relevant information to decide on which site or source of information that should be used. Here, it has been shown that others' opinions in form of eWOM can aid the consumer to navigate the jungle of opportunities that each decision usually involves (ibid).

The above reasoning is especially true for high involvement decisions such as choosing a university and subsequently an appropriate program at that university. The choice of master program for example is of considerable risk, is of high involvement character, and a future student will most likely have very little experience to base a decision on. More elaborately, when a student decides on what to study and where to study their master, they stand before a decision that (1) costs a lot of money. Even though master studies are government funded in several countries, the cost is considered high due to the opportunity cost and student loans. (2) it

requires your active involvement for one or two years, and (3) since most people only go through a master program once in their life, they will have little experience or internal information to base their decision on. Therefore, this type of decision qualifies as a high involvement service where external information sources are called for, and where advices, opinions, and testimonials from others are expected to be among the primary sources of information. Given the importance and rarity of this type of decision, and the amount of options available to students, friends and relatives will most likely not have experience and knowledge about all master programs and universities that a given student is considering. Therefore it is expected that eWOM will be a relevant and potent source of information in this context, thus having the potential to affect the reader more than marketer generated information. This will be the basis for the first hypothesis generated below.

## **2.2. Effect Variables – consequences of eWOM**

The above reasoning needs to be elaborated to understand in what sense eWOM actually can affect the reader. In other words, a closer elaboration is needed to understand the effectiveness of eWOM on high involvement decisions such as choosing a university education. Previous researchers on eWOM have not systematically looked at where in the chain of effects—awareness, positive attitude, increased interest, knowledge, preferences, intentions, and ultimately actions - that eWOM has the largest potential to be influential. As shortly described in the introduction above, traditional WOM has shown to affect the receiver on the following variables: attitudes (Day, 1971; Herr et al., 1991), brand awareness (Sheth, 1971), attention (Mikkelsen et al., 2003), consideration and intentions (Grewal et al., 2003), as well as expectations (Webster, 1991). In this paper, after an extensive review of the different variables, the seven most relevant were chosen to be tested in a high involvement context, by comparing online reviews to marketer generated information.

### **2.2.1. Brand attitude and Information attitude**

Kotler (2007) defines attitude as “a person’s consistently favorable or unfavorable evaluations, feelings, and tendencies towards and object or idea”. More specifically, brand attitude is a consumer’s overall attitude towards the brand (Keller, 1993). Research has shown that a favorable attitude towards a service or a good is one of the more important preconditions influencing purchase and consumption intentions (Blackwell et al. 2005), and more specifically, brand attitude will have the potential to influence future consumer behavior when deciding between two homogeneous products or services (Keller, 1993).

Both Day (1971) and Herr et al. (1991) found that traditional WOM has the potential to affect attitudes. Day (1971) showed that this is primarily due to the source reliability and the flexibility of interpersonal communication. Day also showed that WOM was substantially more effective compared to advertising to convert neutral attitudes into positive attitudes (Buttle, 1998). With the significant effect WOM has shown to have on attitudes in an offline context, and due to shown importance of WOM in high involvement decision situations I hypothesize that eWOM will be more effective compared to marketer generated information to create overall brand attitudes.

Related to, brand attitude, research has shown that attitude towards the presented information (ad attitude or information attitude) at the time of exposure can mediate the effect on brand attitude (Brown & Stayman, 1992). It has been shown that ad attitude is not only relevant for low involvement and low skill customers but also high involvement purchase categories as well as for high knowledge consumer segments (Gardner, 1985), and a favorable attitude towards the information will positively affect brand attitude. While the information in form of eWOM is not an advertisement, but rather the presentation of information, theories that generally have been generated in an advertising context ought to apply in this context. According to Bickart & Schindler (2001), and Mangold (1987) eWOM/WOM is considered more empathic and relevant to the consumer, which implies that compared to marketer generated information, this presentation of information will evoke stronger attitudes. For the purpose of this thesis I will call this information attitude. Information attitude has never, as far as my literature review stretches, been tested in a WOM or eWOM context. With the foundation in theories from the advertising literature I hypothesize that eWOM will affect information attitude more than marketer generated information.

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**H 1 (a):** *eWOM has a stronger effect on brand attitude compared to marketer generated information*

**H 1 (b):** *eWOM has a stronger effect on information attitude compared to marketer generated information*

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### 2.2.2. Brand Interest

Brand interest is defined as “the base level of approachability, inquisitiveness, openness, or curiosity an individual has about a brand” (Machleit et al., 1993, p. 73). It has been shown in the advertising literature, that interest in the brand is as important as positive attitudes leading up to purchase intentions (Deogun and Beatty, 1998). An interest in a specific brand enables the company to stand apart from other homogenous services or goods. De Bruyn & Lilien (2008) defines interest as a part of a chain leading up to a purchase decision or purchase intent. They

argue that after becoming aware of the product or service, interest needs to be developed where the potential consumer decides to learn more about product or service. In high involvement categories, this interest stage ought to be particularly important as it can be seen as critical stage where the consumer decides to engage in further search for more information regarding the firm specific offer or not.

De Bruyn & Lilien (2008) found that eWOM has the potential to awake brand interest in form of unsolicited emails. In addition, Bickart & Schindler (2001) found that eWOM creates higher interest than marketing generated information when eWOM is considered as online discussion on forums. Therefore it is believed that eWOM in the shape of a review will be able to create a higher interest compared to marketer generated information.

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**H 1 (c):** *eWOM has a stronger effect on interest compared to marketer generated information*

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### **2.2.3. Intention to use information in decision making**

Ideally in this study I would like to have looked at how eWOM affects the consumer's actions while they are carried out. However, given the difficulty at observing the causal relationship from eWOM to actions when they are carried out, especially in a high involvement context, where the decision is usually based on many variables, I here focus on the intentions to use the information posted as eWOM in one's decision making. As Söderlund & Öhman (2005) points out, intentions are a frequently measured dependent variable in service research. According to Blackwell et al. (2005), intentions can be defined as "the subjective judgments about how we will behave in the future". While many researchers have criticized the link between intentions and actual actions, as well as the incautious use of intention measures (Söderlund & Öhman, 2005), it is still one of the best measures that we have to predict future actions (Dahlén & Lange, 2003). Several studies have in fact found that intentions can have an explanatory effect on the actual actions (e.g. Howard & Sheth, 1969)

In the WOM literature, it has previously been shown that WOM has the potential to influence both brand attitudes and interest which subsequently should lead to purchase intentions. However, it has also been shown that WOM can influence and affect consumer's intentions and considerations directly (Grewal et. al. 2003). In addition, it has frequently been observed that many of the purchase decisions we make actually are based on recommendations from friends and family (Dichter, 1966). Furthermore, Bansal & Voyer (2000) shows that in a service context,

when the information is actively sought for, WOM information will most likely influence the receivers purchase intentions.

As mentioned in the introduction, given the complexity and significance of high involvement decisions such as choosing a university, WOM is considered an important information source that people tend to use in their decision making (Beatty & Smith, 1987; Murray, 1991). For this reason, and because choosing a university not always can be considered as a purchase due government funded education, purchase intentions as such will not be measured. Instead it makes more sense to look at the intentions to use the eWOM information actively in the person's decision making. With the backing of the reasoning above, it is expected that eWOM will have the power to influence future customers' intentions to use in their decision making more compared to marketer generated information.

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<b>H 1 (d):</b>	<i>eWOM has a stronger effect on intentions to use information in decision making compared to marketer generated information</i>
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#### **2.2.4. WOM and eWOM intentions – discuss with friends and family**

WOM intentions have been a popular dependent variable in recent studies within marketing (c.f. Graham & Havlena, 2007). As mentioned in the previous section, positive WOM regarding products and services has shown to have an indirect effect on company sales because consumers tend to base most of their purchase decisions on recommendations (Dichter, 1966; Söderlund, 2001). In other words if people talk about the brand, or advertisement, or whatever marketing created stimuli that they were subject to with friends and family, these are subsequently more prone to consider and purchase that product or service . Here, it is important to realize that I refer to WOM as a consequence of stimuli.

In a high involvement context, such as when a person is to choose a master program, the WOM intentions can have an additional meaning. Important decisions are usually discussed with friends and family with whom you have a close tie (Murray, 1991; Reigner, 2007). The reason is to discuss your own actions, and not recommend others to engage in the program, due to your lack of experience in decision context. With the backing of my theoretical review, never before have researchers looked at how eWOM or WOM for that matter can affect an additional wave of WOM and eWOM, which explains the lack of detailed theories on the matter. However, following on from the argumentation above, it can be expected that a person who actively have found the information about the high involvement decision, will be more likely to discuss the



information with friends and family (engage in traditional WOM) if this information is presented as eWOM compared to marketer generated information.

Finally, eWOM is a rather new concept, and what is being observed on many websites, everything from news sites to social blogs, the internet user has the opportunity to forward information to a friend by entering his or her email. This is done by the company to facilitate and stimulate eWOM. Because of the simplicity of forwarding information electronically, and because of the higher impact eWOM is predictable to generate on the reader, it can be expected that people will be more likely to engage in eWOM when they themselves are subject to eWOM compared to marketer generated information.

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<b>H 1 (e):</b>	<i>eWOM has a stronger effect on traditional WOM intentions compared to marketer generated information</i>
<b>H 1 (f):</b>	<i>eWOM has a stronger effect on eWOM intentions compared to marketer generated information</i>

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### 2.2.5. Perceived personal experience

Why do universities post eWOM information in form of reviews or testimonials by previous students? This question was asked to several university administrative staff members at various universities in Sweden. The most common reply was that it was a good way to let prospect students know what other students such as themselves thought about the program and the university. More elaborately, most of people I asked argued that this would allow prospect students to get a feeling for what their own experience at the university would be like. In theoretical terms the purpose of the review is to provide prospect students with a picture of what they can expect the program to be like.

It has previously been shown that individuals take action based on what they expect the outcome of their choice will be (Webster, 1991). Therefore, expectations can be considered an important pre-purchase factor that needs to reach a certain level to be acted upon. Moreover, Webster (1991) point out the significance of expectations in the context of services. Due to the intangible and heterogeneous nature of services, as well as, its elusiveness and indistinctiveness, it has been shown hard to form accurate expectations of services. In a high involvement context, such as choosing a university program, we can expect this intangibility and elusiveness to be very high which translates into a significant risk. Furthermore, Webster (1991) shows that one of the best sources to form expectations of services is word-of-mouth. In the same study, Webster showed that WOM had a higher impact on several services compared to marketer generated information.

To what extent the traditional theories put forward by Webster (1991) apply in the online context is yet unknown. Therefore it is hypothesized that eWOM has a stronger effect on the reader's perception of how the program would be like compared to marketer generated information.<sup>4</sup>

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**H1 (g):** *eWOM has a stronger effect on the reader's perception of personal experience compared to marketer generated information*

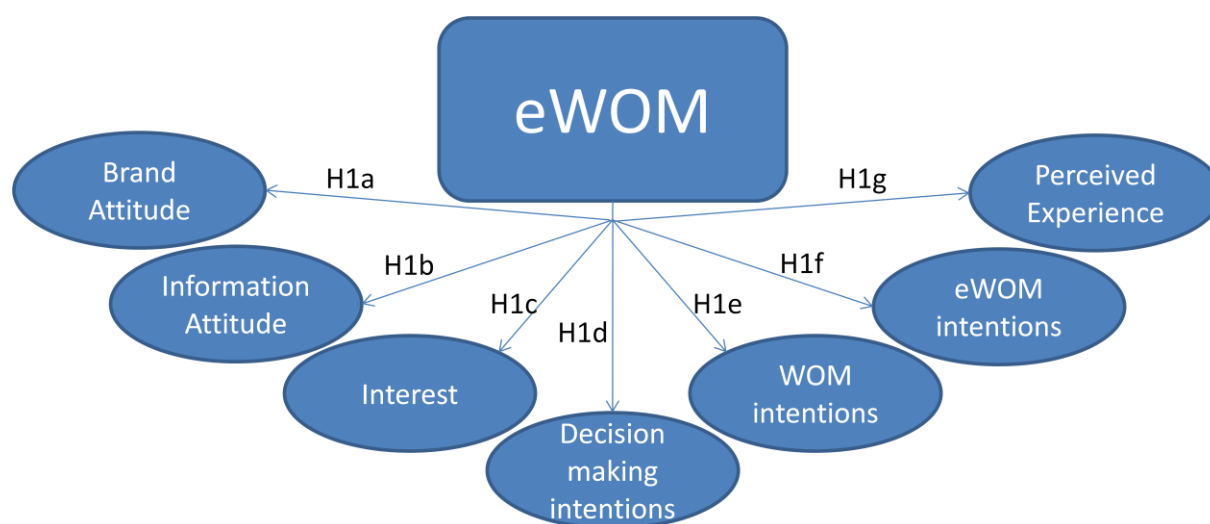
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**Figure 1 – Map of hypothesis 1**

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### 2.3. Mediating factors – characteristics of eWOM

My investigation regarding the potential of eWOM does not stop with the effects of eWOM. It is also important to look at the characteristics of eWOM to understand its interpersonal influence that can generate the abovementioned effects. This will lead to a better understanding of the whole process of eWOM, and subsequently know what characteristics that are important at generating the specific effects.

The existing literature regarding the important characteristics of WOM and eWOM is extensive, and is primarily based on attribution theory (e.g. Brown et al., 2007; Buda & Zhang, 2000; Buttle, 1998; Chatterjee, 2001; Gilly et. al. 1998; Sen & Lerman, 2007; Senecal & Nantel, 2004). The attribution theory suggests that when consumers are presented with a message, they will try to assess whether the information is an accurate representation, and if the source of the information is credible. Whether WOM will be influential or not depends primarily on three factors: (1)

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<sup>4</sup> The use of expectations and perceived personal experience is used interchangeably without any meaningful distinction.

source credibility, (2) homophily, or perceived affinity and (3) tie strength (Gilly et. al., 1998). It has even been shown that the attribution theory holds explanatory power in an online environment (Brown et al. 2007; Sen & Lerman, 2007). However, the theories have not been applied in a high involvement context, nor have the research looked at what characteristics of eWOM is important at influencing the important pre-purchase variables.

Furthermore, as Sen & Lerman (2007) points out, reviews and testimonials online are posted by strangers, people with which you have the weakest of ties. This is the inherent nature for most online reviews, and therefore it can be assumed that tie strength is equal for all readers. Brown & Reingen (1987) showed that strong tie sources are mainly more influential than weak tie sources, and one can easily question if weak tie sources will be used at all for high involvement decisions. However, in the same study the authors showed that weak ties sources are equally used when the consumer is actively searching for information. Since information is actively sought for in high involvement and important decision contexts, and friends and family may not hold the relevant knowledge about the service, it may not matter that eWOM is of weak tie. Given the focus on eWOM in this study, tie strength as a theoretical construct to test becomes irrelevant, and will therefore not be tested.

### **2.3.1. Source credibility**

In the offline WOM literature, source credibility has been referred to as to what extent the statement of a person is considered trustworthy in the specific context, i.e. to what extent the communicator has the appropriate knowledge/competence or reporting impartialness (Eagly et. al, 1978). A WOM source is considered to be credible if the reviewer's opinions are based on external attribution related information, and not on internal subjective reviewer related reasons (ibid). Thus, a source would be considered more credible if the source holds the right expertise and is unbiased, i.e. have no strong affiliation to the company, or any reasons or incentives to embellish their experiences (Buda & Zhang, 2000). If the information is not considered to be credible it will be discounted and consequently lose its persuasiveness (Kelly, 1967).

In the online environment, however, it becomes increasingly difficult to make inferences about the expertise of the eWOM sender, or his or her incentives to post the information. The reader's evaluation of the source credibility will be based on relative impersonal, short text strings, with little information about who the person is who posted the information (Brown et al., 2007; Weiss et al., 2008). However, despite this impeded environment, it is believed that source credibility is as important online as it is offline, and given the importance of high involvement decisions, it is

expected that the higher credibility of the source, the larger impact it will have on the receiver on all effect variables.

<b>Hypothesis 2 – <i>The higher the perceived source credibility, the larger the impact on the receiver</i></b>	
<b>a)</b>	<i>the higher the perceived source credibility the higher the effect on brand attitude</i>
<b>b)</b>	<i>the higher the perceived source credibility the higher the effect on information attitude</i>
<b>c)</b>	<i>the higher the perceived source credibility the higher the effect on interest</i>
<b>d)</b>	<i>the higher the perceived source credibility the higher the effect on decision making intentions</i>
<b>e)</b>	<i>the higher the perceived source credibility the higher the effect on WOM intention</i>
<b>f)</b>	<i>the higher the perceived source credibility the higher the effect on eWOM intentions</i>
<b>g)</b>	<i>the higher the perceived source credibility the higher the effect on the readers perception of personal experience</i>

### 2.3.2. Homophily

In addition to source credibility researchers have found that homophily, i.e. the provider's similarity to the recipient of the WOM information will affect how effective WOM will be (e.g. Brown and Reingen, 1987; Brown et. al, 2007; Haas, 1981; Gilly et al. 1998). Traditionally, the level of homophily has been measured along demographical measures such as age, gender, occupation and education (Brown & Reingen 1987). However, it can also be measured according to how similar the sender and receiver is with regards to values, preferences and life style (Gilly et al., 1998). The theory of homophily states that the more similar you are to an individual both on demographic variables as well as perceptual variables such as common values and believes, the greater the trust and emphatic understanding (Ruef et al., 2003). In a WOM context this means that the receiver is more likely to be influenced by someone how are similar to them, who share the same interests and/or is in the same situation (Brown et al., 2007).

The question is, how similar will you consider yourself to be with an anonymous eWOM sender, with a stranger you have never met and will most likely never meet in the future? Brown et al. (2007) points out that perceived homophily in the online domain does not relate to traditional demographic variables or individual characteristics, but rather the shared interests and mind-set. In addition, it may be easier to make homophilous ties in online social networks, compared to reviews and testimonials researched in this paper. However, in high involvement situations, where information is actively sought for, the receiver of eWOM will actively have found the review because he or she is interested in the same product or service.

Based on the existing literature which has shown that homophily is important both in an offline as well as online context, it can be expected that this will perceived homophily in high involvement situations is an important condition in order for the review to be influential. With this reasoning, it is hypothesized that the stronger the perceived homophily, the larger the impact on the receiver on all the effect variables.

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**Hypothesis 3 – *The higher the perceived homophily, the larger the impact on the receiver***

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|----|--|
| a) | <i>the higher the perceived homophily the higher the effect on brand attitude</i>                                |
| b) | <i>the higher the perceived homophily the higher the effect on information attitude</i>                          |
| c) | <i>the higher the perceived homophily the higher the effect on interest</i>                                      |
| d) | <i>the higher the perceived homophily the higher the effect on decision making intentions</i>                    |
| e) | <i>the higher the perceived homophily the higher the effect WOM intentions</i>                                   |
| f) | <i>the higher the perceived homophily the higher the effect eWOM intentions</i>                                  |
| g) | <i>the higher the perceived homophily the higher the effect on the readers perception of personal experience</i> |
- 

### 2.3.3. Source of information

Brown et al. (2007) argue in their qualitative study that web users use proxies to compensate for the difficulty to attribute certain characteristics to the reviewer. In other words, people use the proxies on the actual website, to make inferences about the attribution characteristics. In addition, it has been shown that the stronger company affiliation, the more bias the source will be perceived (Snizek et al., 2004). It can therefore be expected that an eWOM message posted on an external independent website will reduce the perceived biasness and increase the overall credibility of the information. As a final hypothesis I expect to find that eWOM will be considered less biased on a third party independent website compared to a company affiliated website, and consequently more credible.

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**Hypothesis 4 – *Credibility of eWOM information will be higher at an independent website compared to a company affiliated website***

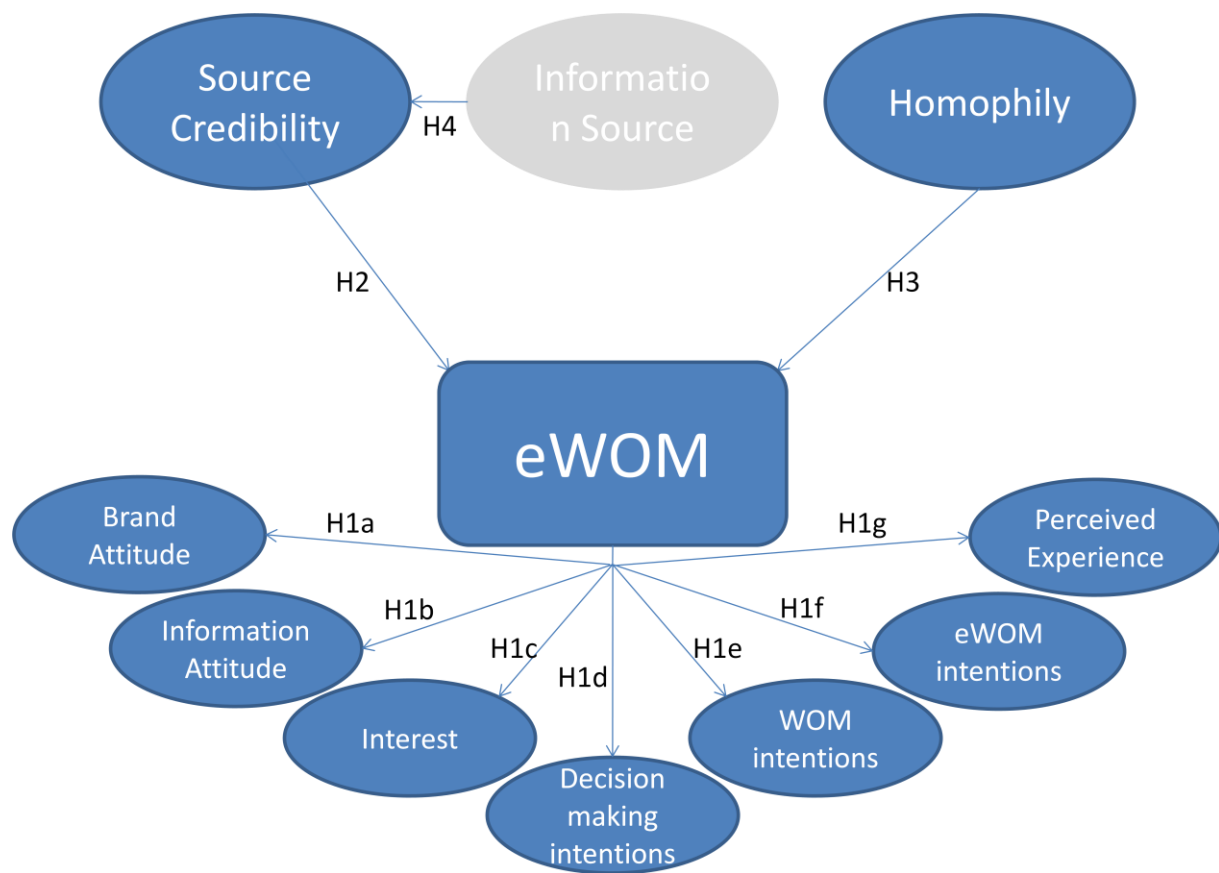
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- |    |   |
|----|---|
| a) | <i>eWOM on third party website is considered less biased compared to eWOM on university website</i>           |
| b) | <i>eWOM on third party website is considered more credible overall compared to eWOM on university website</i> |
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**Figure 2 – Map of all hypotheses**

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### **3. METHOD**

#### **3.1. Pre-study**

In order to reach my goal of constructing a study that would yield original findings, the existing literature on eWOM and traditional WOM was thoroughly researched. In addition, during the idea stage, conversations were carried with a university which host student reviews. Discussions with friends and the academic force at the Stockholm School of Economics were very useful at identifying research gaps. Subsequently, the ideas were discussed with my tutor, where the purpose of the thesis was cemented, and suggestions of relevant research given.

#### **3.2. Scientific Approach**

It is important that the scientific method used fits the goal of the study. My primary goal was to examine the effect of online WOM compared to marketer generated information on the receiver. Given that my hypotheses are based on the large volume of existing literature, a deductive approach becomes the natural choice (Malhotra & Birks 2007, p. 160). It should be noted that an abductive approach also could have been used given the novelty of the phenomenon; however, I argue that before trying to create new theories, the existing body of theories regarding eWOM and WOM needs to be tested.

#### **3.3. Research Design**

To test the hypotheses outlined above I decided to use a causal research method which is preferred when you want to obtain evidence of causal relationships (Malhotra & Birks 2007, p. 302). This was done through a between-subject-designs experiment, based in an online environment where randomly selected subjects were presented with different scenarios. A scenario approach has been used on several occasions when studying how WOM affect the receiver. The main rationale for using this approach is that it is hard to study WOM as it occurs (Söderlund & Rosengren, 2007). To test the effects of eWOM, I decided to contrast it against formal information similar to Buda & Zhang (2000). The main benefit of the experiment is that it enabled me to control for extraneous variables by randomly assigning subjects to each group (Malhotra & Birks 2007, p.308). A within-subject-design was ruled out due to carry over effects (McBruney & White 2007, p. 274-276).

To test eWOM on high involvement services, I chose to create a scenario where bachelor students were to choose a master program. Deciding on a university education was chosen since this is a prime example of a high involvement decision. The decision is considered intangible, and

involves both a high economic, as well as, cognitive cost and the risk for choosing the wrong program is considered to be high (Bansal & Voyer, 2000). Moreover, once decided and entered a university degree the decision cannot easily be reversed. In addition, this type of decision is mainly done only once and therefore people tend to have little background knowledge. Therefore, in situations like this, people tend to actively search for information, and listen to others (Bansal & Voyer, 2000; Gilly et. al. 1998). Finally, university education has previously been used as an example of high involvement services (Brodén & Claeson, 2002).

According to Malhotra and Birks (2007, p. 329) an online environment works well for causal research. The experiment was constructed by setting up four almost identical websites, one official for the university and one independent site (see appendix A). On these sites subjects were either presented a formal marketer generated description about the program or electronic word-of-mouth in form of a user review about the program (see appendix B). Attached via a link was an online questionnaire that the respondents answered as soon as they had read the information on the website (see appendix C).

To clarify, the only independent variables included in the study were the type of information and the source of information. This has the practical implication that these two factors that were manipulated. All other extraneous variables were to a large extent kept at bay using a randomized sample.

### **3.3.1. Email Invitations**

Subjects were invited via an email invitation. In the email I was careful not to reveal that it was an experiment. Instead it was framed as a study. The subjects were kindly asked to participate in a study concerning the choice of master programs. Instructions were included in the email, as well as the html link to the website. To set the right state of mind the subjects were also asked to assume they were actively looking for master programs in business and had just come across the website. As incentives, the subjects had the option to enter a drawing for cinema tickets and scratch cards. Finally it was explained that the participant would remain anonymous throughout the study.

### **3.3.2. Websites**

Four websites were created using Adobe Dreamweaver®. The layouts of the websites were identical with the same picture and colors. The only differences between the university website and the independent third party website were the name of the website, some minor text banners and the logo. For the official university website a crest with the university acronym (ICBE) was



designed. For the independent website, an illustrated graduation cap was used as logo. The design of the websites was inspired by internationally recognized universities such as the London School of Economics<sup>5</sup>, Yale<sup>6</sup> and Copenhagen Business School<sup>7</sup>. The background color was blue with yellow contours. It was important not to create a bias towards “standard” university layout; therefore, inspiration was also collected from third party websites containing information about master programs such as [www.masterportals.eu](http://www.masterportals.eu). A constant threat to an online experiment of this sort is that unwanted subjects by chance could enter the website and the questionnaire (Malhotra & Birks, 2007 p.425), therefore to avoid any sampling errors of this sort the website was posted on a hidden location with a complicated link.

To make sure that subjects continued to the questionnaire a large orange button was placed right below the text.

### **3.3.3. Content**

To control for history effects and other biases that could occur due to the recognition of a university, I decided to use a fictitious university in the experiment. The M.Sc. program in Business at the International College of Business and Economics was therefore created, after having made sure that no such university exists.

Information about this program was inspired by various programs at different universities, e.g. the London School of Economics, the Stockholm School of Economics and Harvard Business School, as well as student reviews on these websites. Recent findings by Chevalier & Mayzlin (2006) show that consumers are more interested in the actual text in the reviews and not the numeric ratings alone, which indicates that it is important the review is informative. Therefore I tried to make the text as informative as possible yet comfortably short.

The program information was then framed positively in the same manner of the just mentioned universities, while trying to keep a balance between what would seem normal in a review and what a formal marketer description of the program would look like. Having decided on the curriculum and the features of the program, two texts were then constructed. A “formal” program description that is common for any university and an “informal” presentation of the program framed as a review from a previous student called Kim, 24 years old. The eWOM version of the text was created by changing as little as possible from the formal text, to keep the

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5 [www.lse.ac.uk](http://www.lse.ac.uk)

6 [www.yale.edu](http://www.yale.edu)

7 [www.cbs.dk](http://www.cbs.dk)

control of the experiment as high as possible. Instead of a formal program description, it was framed as an individual experience.

The name Kim was used, due to its androgyne character, thus both female and male subjects should be able to relate to the person. To achieve further similarities, the age of 24 was used which was expected to be close to the mean age of the sample. Negative information was ruled out in this experiment since it never occurs in formal program descriptions.

#### **3.3.4. The Questionnaire**

The questionnaire was based online using a service from the company Questionpro.<sup>8</sup> All questions in the survey was marked as mandatory, meaning that the participant was required to answer all the questions before being able to continue. To make it esthetically consistent with the website, a navy blue background was used. To combat respondent fatigue, the questionnaire was as short as possible, and the most important questions were placed in the beginning (Söderlund 2005 p.179). The questions were spread over two pages to make it more structured. In the end of the questionnaire, the participants were asked to enter their emails to enter a drawing for cinema tickets and scratch cards.

### **3.4. Participants and data collection**

To achieve a representative sample for the targeted population, seven universities in Sweden in different geographical regions were contacted. Participants in the study were primarily in their second and third year of their bachelor education. Some participants may however have been in their first respective fourth year, having just chosen their bachelor or master. The rationale for choosing this segment was that they all were more or less ready for making their choice of master studies and should presumably be the population actively searching information about master programs. Furthermore, given the design of the fictitious university program in business, it was decided to only contact students engaged in business and economics programs.

Since the study was based online, email invitations were sent out to the students. The participants were then randomly allocated to each of the four groups using a simple random sampling technique (Malhotra & Birks 2007, p415). For those universities with restrictive email policies, instructions were given to the institutions how to randomize the email invitations, and despite that the randomization was not conducted by me, I am confident that my instructions were followed.

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<sup>8</sup> [www.questionpro.com](http://www.questionpro.com)

In total, invitations were sent out to 1975 students; of those 372 opened the questionnaires, and 149 completed the survey. Of those, 12 were dropped, and I subsequently ended up with 137 responses that I could use for the study. The low completion rate of 7.5 per cent is noticeable, yet did not come as a big surprise. According to Malhotra (2004, p. 353), email surveys usually have very low response rates, and is usually in the region of 10%. In this case the risk for non response biasness was eliminated due to an equal distribution of the response rate in the four different groups. See table 1 for a summary of data collection.

**Table 1 – Summary of data collection**

	<b>Group 1</b>	<b>Group 2</b>	<b>Group 3</b>	<b>Group 4</b>	<b>Total</b>
<b>Invitations sent out</b>	469	501	513	492	1975
<b>Questionnaire views</b>	87	84	120	81	372
<b>Questionnaire collected</b>	39	40	35	35	149
<b>Respondents dropped</b>	0	6	1	5	12
<b>Final count</b>	39	34	34	30	137

Group 1 – Marketer generated information on university website

Group 2 – eWOM on university website

Group 3 – Marketer generated information on third party independent website

Group 4 – eWOM on third party independent website

### 3.5. Scales and Measures

For all the questions in the questionnaire, except age and gender, I used interval scales, with numerically equal distances ranging from 1 to 7. All of the responses were done on what is called a semantic differential scale with bipolar labels, or on the Likert scale where the respondents were asked to what extent he or she agreed with the statement. Using interval scales is a well established technique for measuring constructs in marketing research, enabling the researcher to perform a great variety of statistical analyses. (Malhotra & Birks 2007, p. 340)

The scale used was formed in a way that the attributes where (1) was the most negative and (7) was the most positive. In addition the questions were all in formed in the same direction with high values to the right and low values to the left. This was done to make it easier for the respondent to answer the questions (Söderlund, 2005, pp. 116-118).

To increase the reliability through an increased internal consistency, batteries of questions including several questions to measure each construct were used whenever possible. If cronbach's alpha exceeded 0.7, the questions measuring the same constructs were indexed (Malhotra & Birks 2007, p. 358). All questions in the survey was taken from other academic sources that all had a high cronbach's alpha or was the recommended measure for that particular

construct. Having researched an extensive part of the literature, I finally chose the questions for the constructs that best fitted the context of my study. I limited my questionnaire to contain as few questions as possible to avoid respondents from dropping out or answering less actively.

The study was designed to contain seven dependent measures; (1) brand attitude, (2) attitude towards the information presented, (3) interest towards the program, (4) intention to use information in decision making, (5) intentions to spread the information via WOM, (6) intentions to spread the information via eWOM and (7) perception of being enrolled in the program.

*Brand attitude towards the Program* was based on three 7 point semantic differential scaled items used by both Sen & Lerman (2007) and Herr et. al. (1991). Cronbach's alpha measured 0.934. The adjective pairs were (a) Negative/Positive, (b) Bad/Good and (c) Unfavourable/Favourable.

*Attitude towards the information* was based on measures originally focused on attitude towards advertisement or a review. These scores were also adopted from Sen & Lerman (2007) and based on a 7 point semantic Likert scale, modified to fit the context of this study. Cronbach's alpha measured 0.895. The measures were (a) useful, (b) accurate, (c) informative, and (d) of high information quality.

Measures for *Interest towards the program* were adopted from standard advertising theory (Machleit et. al. 1993). The measures were also based on a 7 point Likert scale. Cronbach's alpha measured 0.953. The question asked to what extent they agreed with (a) being curious about the program, (b) would like to know more about the program, and (c) being intrigued by the program offering.

The intentions were measured using single questions and not batteries of questions, based on the recommendations in Rossiter (2002). The question regarding intention to use in decision making were taken from Sen & Lerman (2007), WOM intentions were adopted from a master thesis by Lethagen & Modig (2008), however, it was modified to fit the context of this paper. Intentions to forward the information electronically was just added as a bonus, and evolved from the same intention question as the one just mentioned.

Finally, the last dependent variable was to what extent the subjects perceived their personal experience to be like at the university after having read the information. It was a single question, measured on a Likert scale.

Moderating effects researched in this paper were, source credibility and homophily. Usually tie strength is included, however, in online word-of-mouth the tie between the sender and receiver is always of the weakest tie and therefore, it was left out in this thesis.

*Source credibility* is a well used construct and measures were adopted from Flanagin & Metzger (2003) and Sen & Lerman (2007). Again, a Likert scale was used and the battery of questions contained 6 questions, generating a cronbach's alpha of 0.912. The measures included (a) trustworthy, (b) believable (c) unbiased (d) accurate, (e) reliable and (f) an overall assessment of the credibility.

*Homophily* was measured using two questions adopted and modified from DeBruyn & Lilien (2008). The subjects were asked to what extent they felt they were similar to the students in the program, and how they could relate thereto. Cronbach's alpha measured 0.712.

### **3.6. Reliability and Validity**

Experiments are usually found to generate high reliability and validity as a result of the randomization of respondents. By allocating subjects randomly to four different groups, I was able to neutralize many threats to the validity (McBurney & White, 2007). The benefit of my approach was that while much was controlled for, the study took place in the natural habitat – on the internet. As will be described below both validity and reliability are important in any study. Together the two estimates to what extent there are systematic errors (validity) and random errors (reliability) in the study (Söderlund, 2005, p. 128).

#### **3.6.1. Reliability**

Reliability is an estimation of to what extent the study is free from random errors and therefore gives consistent results from different independent observations (Peter, 1979). The aim of estimating reliability is to make sure that if someone decided to conduct the same study, they should end up with the similar results. According to Söderlund (2005) there are three ways to test or estimate reliability: (a) test-retest reliability, (b) intercoder reliability, and finally (c) internal consistency reliability which is the most frequent used. In this paper as stated previously, the reliability was assessed by looking at the internal consistency. By using established multiple question measures from previous research, that all yielded high Cronbach's alpha, the internal consistency can be said to be satisfactory. The questions that were slightly modified were also discussed and approved by my tutor to make sure that the questions still measured the same construct.

Since the experiment and the questionnaire were both in English, and since the study addressed Swedish students, the results could however contain random errors if respondents misinterpreted the text or the questions. Having thought of that, I let several external people assess the difficulty

of the language used. Words that were found too hard was simplified, which was recommended by Söderlund (2005).

The experiment was rather short, and the whole process took about 10 minutes (average response time to the questionnaire varied between 5-7 minutes for the different groups). This ought to benefit the reliability of the study as interruptions, disturbance and fatigue could be minimized.

### **3.6.2. Validity**

Validity is an estimation of how well you measure what you really intended to measure. Thus validity looks at to what extent the study is free from systematic errors (Söderlund 2005, p. 149). Experiments are generally good for researching causal relationships because you can control for many factors that otherwise can bias or influence the subjects' responses. Usually one makes the distinction between internal, construct and external validity (McBurney & White, 2007, p. 169). Below I will briefly touch upon each one of them.

#### **3.6.2.1. Internal Validity**

Internal validity according to Malhotra and Birks (2007, p.307) and McBurney & White, (2007, p. 170) is whether the manipulation of the independent variable actually caused the effects on the dependent variable. In this case, is the effects observed caused by the manipulations of the source and type of information? Since we have controlled for any external variables by randomly assigning subjects to the four groups, the any differences in the groups should be neutralized. In addition by having a between-groups-design, carry over effects that could come from a within-group design was avoided (McBurney & White 2007, p. 274-276).

#### **3.6.2.2. Construct Validity**

McBurney & White (2007, p.171) define construct validity as to what extent the measurement constructs measure what it is supposed to measure, and nothing else. To make sure that the study contained a high level of construct validity, only measures from established academic sources was used that has gained acceptance as measures for the constructs.

#### **3.6.2.3. External Validity**

External validity according to Malhotra and Birks (2007, p. 308) refers to the extent the causal relationships found can be generalized beyond the experiment situation. There is a classic tradeoff between internal and external validity. If the experiment is tightly controlled, one can to a greater extent claim that the causal effects were caused by the manipulation. However, if it is

too controlled, it may not reflect reality enough to be generalized to the whole population (Malhotra & Birks, 2007, p 308).

First of all, given that the experiment was posted in a natural habitat, with a layout and content inspired from large academic institutions one could argue in favor of the external validity. To what extent the participants found the information posted to be reflecting reality, the mean of 4.46, on a scale from 1 to 7, which can be interpreted as a satisfactory level of realism also strengthen the external validity. Furthermore, to what extent the participants thought choosing a university program is a high engagement decision, the mean of 6.05 also argued in favor for that the study can be generalized to similar high involvement services.

On a final note, the subjects in the study were students at Swedish universities all over Sweden, and therefore most of the participants were obviously Swedish. Whilst this gives good grounds for being representative for the Swedish population, it is important to realize that this can also have an adverse impact, given the unfamiliarity to master programs there is among Swedish university students. Furthermore, since higher education is free in Sweden a university decision can be seen as a less risky compared to other countries where there is a substantial financial risk involved in taking a master. Have I conducted the study in the UK where it more common to change university for one's master program it is not unlikely that the results may have differed. However, an inter-european study was beyond the scope of this thesis.

### **3.7. Instruments and Methods of analysis**

To analyze the data, SPSS 16.0 was used. For the first and fourth hypotheses one way between-groups multivariate analysis of variance (MANOVA) was used. Preliminary assumption testing was conducted to check for normality, linearity, univariate and multivariate outliers, homogeneity of variance-covariance matrices, and multicollinearity. For hypotheses two and three, a multiple regression analysis was conducted. For all the variables preliminary analyses were conducted to ensure no violation of the assumptions of normality, linearity, multicollinearity and homosecedasticity.

## 4. RESULTS AND ANALYSIS

### 4.1. Manipulation check

To make sure that the scenario presented on the different websites were credible and realistic, the questionnaire contained control questions in the end asking if it was realistic that they would come across such a review on the web in real life. Using a univariate between groups analysis of variance (ANOVA) revealed that no significant difference in perceived reality of scenario between the groups were found ( $F(3,133) = 1.089, p = 0.356$ ). An inspection of the mean scores on the interval scale from 1 to 7 where 7 was very realistic, all four groups had a combined mean of 4.46. This is interpreted as sufficiently realistic.

In addition, to make sure that choosing a university master program would be considered a high involvement decision, the respondents had to answer question regarding involvement, importance and information seeking. The score were subsequently indexed (Cronbach's  $\alpha = 0.747$ ), and the four groups' means were analyzed with a univariate between groups ANOVA. The mean scores did not show a statistically significant difference, and the overall mean of 6.05, on a scale from 1 to 7 indicates that the respondents considered choosing a university masters education to be a high engagement decision.

Furthermore, I tested, that the eWOM message in fact differed from the formal information. The respondents were asked to answer to what extent they thought the information was a personal statement. A simple independent T-test revealed a statistically significant difference between eWOM ( $M = 5.70, SD = 1.13$ ) and formal information ( $M = 4.77, SD = 1.22$ );  $t(135) = -4.627, p < 0.001$  (two tailed). As can be seen, even the formal information was considered more personal than impersonal, however, this should not matter as there was a statistically significant difference between the groups.

### 4.2. Hypothesis 1 – how eWOM affects the reader

Along the reasoning in theory section, I would expect to see significantly higher scores on the constructs when the reader is exposed to eWOM compared to formal information. As recommended by Pallant (2007) in experimental tests with more than one dependent variable, a one way between-groups MANOVA was performed. This allowed me to investigate how eWOM compared to formal information influence the reader's perceptions and intentions of the master program. Seven dependent variables were used: overall brand attitude, information attitude, interest, intentions to use information in decision making, intentions to engage in traditional



WOM, intentions to engage in eWOM in form of forwarding information electronically and finally perception of future personal experience. The independent variable was the type of information, eWOM vs. marketer generated information. Preliminary assumption testing was conducted to check for normality, linearity, univariate and multivariate outliers, homogeneity of variance-covariance matrices, and multicollinearity. There were no serious violations noted. In addition, to clean the results from variables not directly relevant to this test, I controlled for the degree of engagement by including it as a covariate ( $F(7, 128) = 2.61, p = 0.015$ ). The number of cases ( $n$ ) in this test was 137.

There was a statistically significant difference between eWOM and formal information on the combined dependent variable.  $F(7, 128) = 3.59, p = 0.001$ ; Wilk's Lambda = 0.84; partial eta squared = 0.164. When the results for the dependent variables were considered separately, the only difference to reach statistical significance, using a Bonferroni adjusted alpha level of 0.01, was intention to engage in traditional WOM by discussing the program with friends and family,  $F(1, 134) = 12.10, p = 0.001$ , partial eta squared = 0.083 and perception of personal experience,  $F(1, 134) = 6.84, p = 0.01$ , partial eta squared = 0.049. An inspection of the mean scores indicated, as predicted by the theory, that eWOM had a higher effect on both intentions to engage in traditional WOM ( $M_{\text{eWOM}} = 5.61, SD 1.28$  vs.  $M_{\text{formal}} = 4.81, SD = 1.57$ ) and perceived experience compared to formal information ( $M_{\text{eWOM}} = 4.38, SD 1.27$  vs.  $M_{\text{formal}} = 3.78, SD = 1.37$ ).

There was no tendency or trend of any of the other dependent variables to show a significant difference between formal information and eWOM. The significance values by the remaining variables were between 0.46 and 0.82 suggesting that no such difference exists between the two types of information. An estimation of the power of the statistical test was conducted to give an indication of how confidently I could state that no real difference between the groups existed. Unfortunately the power of the statistical test, when looking at each variable separately, was not sufficiently strong (>80%) to safely claim that no real difference exists between the groups. To be able to make this claim a much larger sample would be needed (Pallant, 2007).

**Table 2** – Results, comparing the mean scores, showing difference and the level of statistical significance

<b>Dependent Variables</b>	<b>Formal</b>	<b>eWOM</b>	<b>Difference</b>	<b>Significance</b>
<i>Brand Attitude</i>	5.16	5.30	0.14	0.464
<i>Information Attitude</i>	4.37	4.24	-0.13	0.529
<i>Interest</i>	4.76	4.68	-0.08	0.785
<i>Intentions to use in decision making</i>	4.47	4.53	0.06	0.821
<i>WOM intentions</i>	4.78	5.61	0.83	0.001
<i>eWOM intentions</i>	4.68	4.83	0.15	0.595
<i>Perceived personal experience</i>	3.78	4.38	0.60	0.010

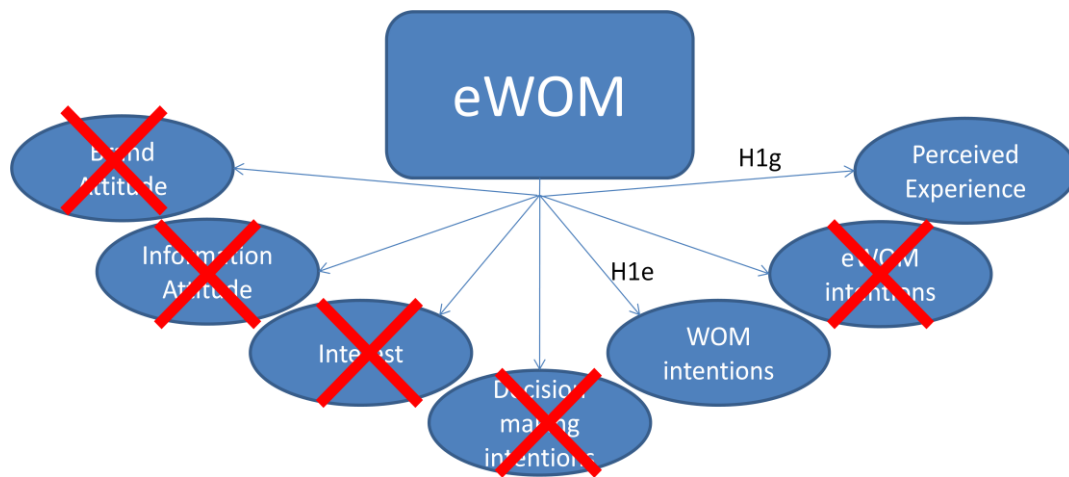
With the above analysis of the results, I can safely support hypothesis 1 (e) and (g), however, had to reject hypothesis 1 (a), (b), (c), (d), and (f).

**Table 3 – Summary of results from hypothesis 1**

a) eWOM has a stronger effect on brand attitude compared to marketer generated information	<b>REJECTED</b>
b) eWOM has a stronger effect on information attitude compared to marketer generated information	<b>REJECTED</b>
c) eWOM has a stronger effect on interest compared to marketer generated information	<b>REJECTED</b>
d) eWOM has a stronger effect on intentions to use information in decision making compared to marketer generated information	<b>REJECTED</b>
e) eWOM has a stronger effect on traditional WOM intentions compared to marketer generated information	<b>SUPPORTED*</b>
f) eWOM has a stronger effect on eWOM intentions compared to marketer generated information	<b>REJECTED</b>
g) eWOM has a stronger effect on the reader's perception of how the program would be like compared to marketer generated information	<b>SUPPORTED*</b>

\*P<0.01 (Bonferroni adjusted)

**Figure 3: Supported sub-hypotheses for H1**



#### 4.3. Hypothesis 2 & 3 – The effect of source credibility and homophily

To observe how source credibility and homophily predicted the effect on the reader of the eWOM information, a multiple regression analysis was used as recommended by Pallant (2007). This enabled me to assess the ability of two mediating effects of eWOM measures (source credibility and homophily) to predict levels of the seven dependent variables, brand attitude, information attitude, interest, intentions to use information in decision making, intentions to

engage in traditional WOM, intentions to engage in eWOM in form of forwarding information electronically and finally, perception of future personal experience.

To make sure a regression analysis could be carried out, preliminary analyses were conducted to ensure no violation of the assumptions of normality, linearity, multicollinearity and homoscedasticity for all the variables. As a measure for the explained variance, I decided to use the adjusted  $R^2$  due to the rather small sample size ( $n = 64$ ).

For the prediction of level of brand attitude, source credibility and homophily explained a total variance of 22.5%,  $F(2, 61) = 10.16$ ,  $p < 0.001$ . However, only the source credibility scale, which also recorded the highest beta ( $\beta = 0.32$ ,  $p = 0.019$ ) made a significant unique contribution to the prediction of level of brand attitude. The test for information attitude showed a similar result, yet with higher  $R^2$  and Beta values. Here source credibility and homophily explained a total variance of 49.6%,  $F(2, 61) = 32.05$ ,  $p < 0.001$ . Again, only the source credibility scale, which recorded a beta of 0.69,  $p < 0.001$  made a significant unique contribution to the prediction of level of information attitude. This means that the more credible the source of the information is, the higher level of brand and information attitude, whereas it does not matter as much if you find yourself similar to the source or not. The effect on information attitude is however more than twice as high compared to brand attitude.

Furthermore, to test the prediction of level of interest, source credibility and homophily explained a total variance of 33.9%,  $F(2, 61) = 17.15$ ,  $p < 0.001$ . Here, both the source credibility scale ( $\beta = 0.27$ ,  $p = 0.03$ ), and the homophily scale ( $\beta = 0.40$ ,  $p = 0.002$ ), made a significant unique contribution to the prediction of level of interest. As can be seen, this time homophily recorded the highest beta, thus having the largest predictive power of interest. In other words, the more similar you feel that you are with the eWOM sender; the more interesting you will find the eWOM information. It is however still important that the source is perceived as credible.

The test how source credibility and homophily predicted intention to use eWOM information in decision making explained a total variance of 42.5%,  $F(2, 61) = 24.31$ ,  $p < 0.001$ . Both the source credibility scale, which recorded the highest beta ( $\beta = 0.44$ ,  $p < 0.001$ ), and the homophily scale ( $\beta = 0.32$ ,  $p = 0.008$ ), made significant unique contributions to the prediction of level of intention to use information in decision making. Stated differently, the more credible you perceive the source to be, and the more similar you believe you are to the eWOM reviewer; the higher likelihood is that you will use the information in your decision making.

For the prediction of level intention to discuss the eWOM information with friends and family, source credibility and homophily explained a total variance of 23.3%,  $F(2, 61) = 10.564$ ,  $p < 0.001$ . Only homophily ( $\beta = 0.512$ ,  $p < 0.001$ ) made a significant unique contribution to the prediction of level of intention to discuss the eWOM information with friends and family. This should be interpreted as the more similar you feel to the eWOM sender, the more likely is it that you will discuss the eWOM information with friends and family.

For the prediction of level intention to engage in eWOM, by sending information electronically to friends and family, source credibility and homophily explained a total variance of 16.4%,  $F(2, 61) = 7.16$ ,  $p = 0.002$ . However, both source credibility and homophily failed to make any significant unique contributions to the prediction of level of intention to engage in eWOM. The explained variance is also the lowest among the variables.

Finally, to predict the level of perceived personal experience, source credibility and homophily explained a total variance of 50.1%,  $F(2, 61) = 32.59$ ,  $p < 0.001$ . Both the source credibility scale ( $\beta = 0.29$ ,  $p = 0.09$ ), and the homophily scale which recorded the highest beta ( $\beta = 0.52$ ,  $p < 0.001$ ) made a significant unique contribution to the prediction of level of perceived experience. This means that the more similar you believe you are to the person providing the eWOM message, and the more credible you find the source, the higher level of perception of what your own experience would be like.

**Table 4 – Summary of results from regression analyses**

	Source Credibility <i>Unique Beta</i> (Standardized)	Homophily <i>Unique Beta</i> (Standardized)	Adjusted R <sup>2</sup>
<b>Brand attitude</b>	0.32*	0.245(NS)	0.225
<b>Information attitude</b>	0.69***	0.037(NS)	0.496
<b>Interest</b>	0.27*	0.40**	0.339
<b>Intent. Decision making</b>	0.44***	0.32**	0.425
<b>WOM intention</b>	-0.009(NS)	0.512***	0.233
<b>eWOM intention</b>	0.235(NS)	0.259(NS)	0.164
<b>Perceived personal exp.</b>	0.29**	0.52***	0.501

NS Not significant, \*  $P < 0.05$ , \*\*  $P < 0.01$ , \*\*\*  $P < 0.001$

**Table 5 – Summary of results from hypothesis 2**

a) <i>the higher the perceived source credibility the higher the predicted effect on brand attitude</i>	<b>SUPPORTED*</b>
b) <i>the higher the perceived source credibility the higher the effect on predicted information attitude</i>	<b>SUPPORTED*</b>
c) <i>the higher the perceived source credibility the higher the effect on interest</i>	<b>SUPPORTED*</b>
d) <i>the higher the perceived source credibility the higher the predicted effect on decision making intentions</i>	<b>SUPPORTED*</b>
e) <i>the higher the perceived source credibility the higher the predicted effect on intention to discuss eWOM information with friends and family</i>	<b>REJECTED</b>
f) <i>the higher the perceived source credibility the higher the predicted effect on intentions to forward information via eWOM</i>	<b>REJECTED</b>
g) <i>the higher the perceived source credibility the higher the predicted effect on the readers perception of how the program would be like</i>	<b>SUPPORTED*</b>

\*P&lt;0.05

**Table 6 – Summary of results from hypothesis 3**

a) <i>the higher the perceived homophily the higher the predicted effect on brand attitude</i>	<b>REJECTED</b>
b) <i>the higher the perceived homophily the higher the effect on predicted information attitude</i>	<b>REJECTED</b>
c) <i>the higher the perceived homophily the higher the effect on interest</i>	<b>SUPPORTED*</b>
d) <i>the higher the perceived homophily the higher the predicted effect on decision making intentions</i>	<b>SUPPORTED*</b>
e) <i>the higher the perceived homophily the higher the predicted effect on intention to discuss eWOM information with friends and family</i>	<b>SUPPORTED*</b>
f) <i>the higher the perceived homophily the higher the predicted effect on intentions to forward information via eWOM</i>	<b>REJECTED</b>
g) <i>the higher the perceived homophily the higher the predicted effect on the readers perception of how the program would be like</i>	<b>SUPPORTED*</b>

\*P&lt;0.05

#### 4.4. Hypothesis 4 – biasness and credibility of website

In the experiment, the information was posted on two types of websites, the university's official website, and a third party independent ranking site. Here I expected that eWOM would be less biased and subsequently more credible on the third party website compared to the university website.

To test the hypothesis, a one-way between-groups MANOVA were performed once again. The dependent variables were, perceived source biasness, and overall source credibility. The independent variable was here modified to only compare eWOM information between the two sources, university website and third party website. Preliminary assumption testing was conducted to check for normality, linearity, univariate and multivariate outliers, homogeneity of variance-covariance matrices, and multicollinearity. There were no serious violations noted. Number of cases (n) in the tests was 64.

A statistically significant difference between eWOM and formal information on the combined dependent variable was found,  $F(2, 61) = 3.58$ ,  $p = 0.034$ ; Wilk's Lambda = 0.90; partial eta squared = 0.105. When the results for the dependent variables were considered separately, both variables reached statistical significance. Source biasness,  $F(1, 62) = 4.515$ ,  $p = 0.038$ , partial eta squared = 0.068 and overall credibility,  $F(1, 61) = 6.00$ ,  $p = 0.017$ , partial eta squared = 0.088. An inspection of the mean scores indicated as predicted that perceived source biasness was significantly higher on the university website, even though the eWOM information was perceived as more biased than unbiased on both sites ( $M_{\text{uni}} = 2.94$  SD = 0.22 vs.  $M_{\text{3rd party}} = 3.6$  SD = 0.24). The eWOM message was perceived as of higher credibility on the third party independent website compared to the university website ( $M_{\text{3rd party}} = 4.60$  SD = 1.16 vs.  $M_{\text{uni}} = 3.91$  SD = 1.08).

**Table 7 – Observed differences in eWOM between the two sites**

Dependent Variables	University Website	3 <sup>rd</sup> Party Website	Difference	Significance
Perceived Biasness	2,94	3,6	0,66	0,038
Overall Credibility	3,91	4,6	0,69	0,017

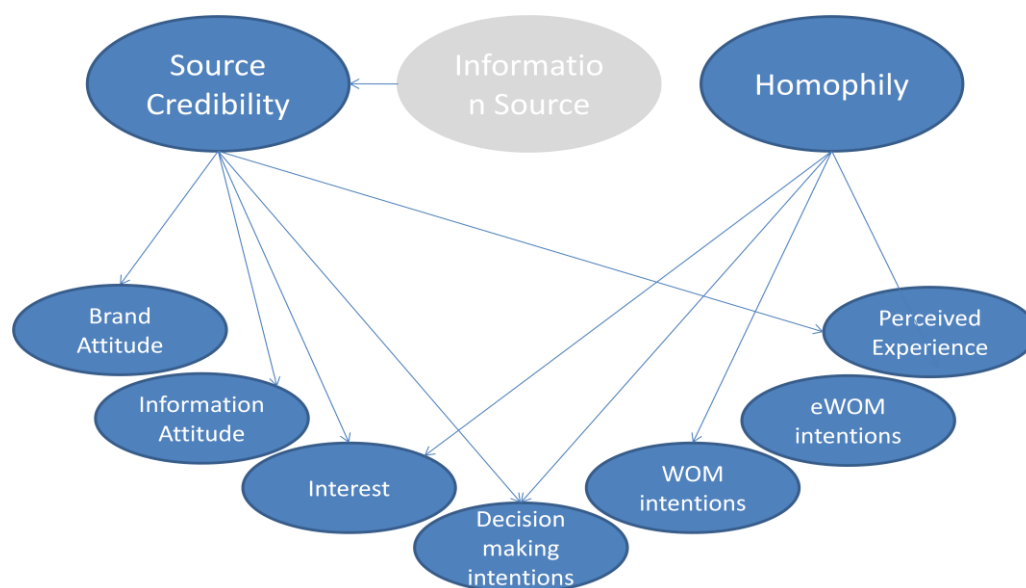
Source Biasness is reversely coded, thus the lower score, the more biased it is considered to be.

**Table 8 – Summary of results from hypothesis 4**

a) eWOM on third party website is considered less biased compared to eWOM on university website	<b>SUPPORTED*</b>
b) eWOM on third party website is considered more credible overall compared to eWOM on university website	<b>SUPPORTED*</b>

\* $P < 0.05$

**Figure 4: Map of statistically significant findings for H2, H3 and H4**



## 5. DISCUSSION

Current trends in the evolution of the Web 2.0 shows how customers, marketers and researchers alike are becoming progressively interested in the use of online reviews, both in high, as well as, low involvement product and service categories. Online reviews and other forms of eWOM has become a prominent source of information for customers, and subsequently a fantastic opportunity for marketers. What sets eWOM apart from traditional WOM is the lack of personal bidirectional contact, facial expressions and emotions, the anonymity of the reviewer, and the lack of spoken words. Given all these differences, do customers really trust online reviews to the same extent as they trust offline WOM? How do online reviews influence the reader, and what characteristics of reviews are important predictors of how it will be received? And can existing offline WOM theories really explain its online counterpart? Given the novelty of this phenomenon, there is an obvious lack of detailed theories regarding online word-of-mouth. In this study I have researched the use of eWOM in form of reviews in a high involvement decision context. More explicitly I investigated two things: (1) how these reviews affect the reader, and (2) what characteristics of eWOM are important predictors of how it will be received.

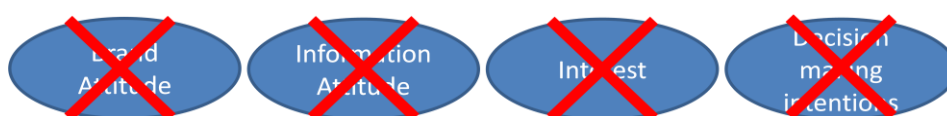
### 5.1. The effects of eWOM

Based on an extensive review of both the offline and online WOM literature I hypothesized that eWOM would be more effective than marketer generated information on seven key variables. These were (1) *brand attitude*, (2) *information attitude*, (3) *interest*, (4) *intention to use the information in decision making*, (5) *intention to engage in traditional WOM by discussing the program with friends and family*, (6) *intention to engage in eWOM*, and finally, (7) *perceived personal experience*. The analysis showed that there was a significant difference between the two types of information stimuli on an overall level. However, on a closer inspection, the difference was explained almost entirely by the differences observed in WOM intentions and perceived personal experience. This support the previous findings of Webster (1991) meaning that eWOM just as WOM has the potential to influence expectations. However, contrary to what Day (1971) and Herr et al. (1991) found regarding traditional WOMs effect on attitudes, no such differences were found in this high involvement context online. In addition, the results contradicted the findings of De Bruyn & Lilien (2008) and Bickart & Schindler (2001), who showed that eWOM had a positive effect on interest, as well as, Dichter (1966) who found that traditional WOM had a direct effect on people's purchase intentions, or decision making intentions. On these variables not even a tendency towards a difference was observed. However due to the rather small sample size, I cannot confidently state that there is no real difference between the sources of information.

Nevertheless, a more nuanced picture regarding the effect of eWOM has emerged. What my study shows is that there is most likely a difference in the effectiveness of WOM online compared to in the offline environment. Thus, even if I cannot safely state that no real differences for some of the variables exist, it is possible to show where online reviews have a direct effect.

To interpret these results further, we need to recall some of the distinct characteristics of high involvement purchase decisions (in this study the choice of master program), and compare it to the known features of both online and offline WOM. The choice of a university program is considered an extremely important decision that involves a high level of perceived risk. Due to the high risk and the high commitment associated with such a decision, future master students are expected to engage in an extensive information search, basing their decision on a large collection of different sources of information. Among these many sources, eWOM may not be the single most influential on many of the traditional pre-purchase variables. On the other hand, online reviews may still be considered an oasis of knowledge for the individual consumer and a promise of gold for the marketer. Before going further into the potentials of the online reviews, I will first line out four reasons why I believe the study may have failed to show significant differences on the other key effect variables.

### 5.1.1. Why eWOM may not have an effect on all the variables



Firstly, as argued by Sen & Lerman, (2007) and Weiss et al. (2008), online reviews are anonymous, and the tie-strength between the reviewer and the reader is considered to be of the weakest sort. Given the personal importance of high involvement decisions, it can be expected that these are more likely to be discussed with whom the decision maker trust. Therefore the role of eWOM cannot be compared to the one of traditional WOM regarding high involvement decisions. Consequently, online reviews may not have a statistically more significant role than marketer generated information on brand attitude, information attitude, interest and intention to



use the information in decision making (i.e. the variables that are presumed to feed directly into the hierarchical decision chain).

Secondly, valence matters! Research has shown that people to a large extent discount positive information more than negative information (Chevalier & Mayzlin, 2006), especially for utilitarian goods (Sen & Lerman 2007). This means that there is a negativity bias for goods that are meant to have utilitarian value. In the online domain people tend to weight negative eWOM more heavily than positive eWOM. Therefore, even though this was not a research question in this study, we can probably expect that the, if such a negativity bias exist for high involvement services, e.g. choosing a university, it may have influenced the lack of difference observed in this study.

Thirdly, given the high commitment of a university program, students have strong subjective incentives to embellish their experience to attract new and better students to the university, and subsequently reap the benefits of a stronger university brand name in the future. Future prospect students know this, and when a person can strongly be affiliated with the company, research has shown that the review becomes less trustworthy and will lose its persuasiveness (Buda & Zhang, 2000). When a student review is posted on the university website, it suffers from the inherent problem of an obvious company affiliation. Simultaneously, it is clear that the student did not post this review on its own initiative. As was found in hypotheses two, source credibility was an important characteristic of eWOM in order for it to influence brand and information attitude as well as interest and intentions to use in decision making. Therefore the perceived biasness of the reviewer can also be expected to have an influence on the lack of difference observed. Unfortunately I cannot make any statements about if lack of difference was due to the inherent nature of eWOM or due to my subjective description.

Finally, in high involvement decision contexts, the value of the information each source provide is of essence in how it is being used. The lack of difference between the groups could potentially be explained by the similarity of the content on the eWOM framed website and formal framed website. Since the texts revealed the exact same characteristics and attributes of the university, the focus of the reader may be more on the actual content and not how it is being framed.

Where eWOM did show to have a higher ability to affect a potential student compared to marketer generated information were on the intentions to discuss the program with friends and family, and in affecting the perceived personal experience.

### 5.1.2. The effect of eWOM on WOM intentions



Firstly, as discussed in the theory section of this paper, there could be two reasons for talking to friends and family about the program. Either people are more likely to engage in traditional WOM and spread the word about the program, for the sole purpose of informing others about the existence of the program. Or, the program is discussed as reflection of one's own decision. I believe that it is more likely that the information will be discussed with friends and family as basis for one's own decision making. Since choosing a university is of such importance, it needs to be discussed with whom the prospect student have a strong tie to. As reasoned above with regards to the personal commitment a university program involves, advice from friends and family are more important and influential than information from anonymous reviewers.

As it turns out, people are more inclined to talk about the program after they have been subjected to eWOM compared to marketer generated information. This finding is important, because even though it may not feed directly into the decision process; the eWOM message proves to be sticky, which means that it is more likely to be reflected upon in the discussion with friends and family compared to marketer generated information. It is not unlikely that a prospect master student will look at several different universities before deciding which one to choose. Therefore the results indicate that when the prospect student is subjected to eWOM information, this option is more likely to be considered or at least discuss closer with whom he or she trusts, which means a more educated decision for the individual, and more cognitive "air time" for the marketer. Furthermore, my results open up for the possibility that eWOM could have an indirect effect on a person's action from a different angle. Since prospect students are likely to discuss their options with friends and family which have shown to have a considerable influence on the prospect student, it may be important that this information gets transmitted to this population. If this population in turn becomes convinced of the eWOM described university in question, it may be that this subsequently will be promoted by them. It would of course be necessary to research this question more thoroughly to investigate if this is the case, however, the findings legitimize such a new research question. Unfortunately, it is beyond the scope of this thesis to take this further.

### 5.1.3. The effect of eWOM on perceived personal experience



The results also revealed that when a prospect master student is subjected to eWOM information, this person can more easily envision what the program would be like for them personally, compared to marketer generated information. This also confirms what university administrative staff expected the purpose of eWOM would be. Being able to form positive expectations is as Webster (1991) pointed out, considered to be vital information feeding into a person's decision making, especially in a high involvement context. Choosing a university will be the primary decision concerning where the student will be and do for at least the next two years, and will have consequences that stretches much further into the future. Gaining input from someone that have just gone through the experience will serve as an important reference point as an indication of where the student will be in two years time, and what will happen along the way. This will therefore be a source that can minimize a certain type of risk. Due to the intangible nature and the large heterogeneity of the quality of education, this information is hard to obtain elsewhere.

At a time before online reviews existed, the closest substitute to this information was to initiate contact with the university of interest and subsequently come in contact with an active student. Given the high cognitive, as well as searching and physical costs that this procedure may involve, universities and programs that a prospect student may not be directly interested in may be left unconsidered. It may have limited student's decision basis to universities where they had previous contacts, or some sort of connection. In that sense eWOM in form of student reviews provide prospect students with the possibility to increase their decision basis and subsequently enable them to make more educated decisions. Alternatively, eWOM is beneficial for students that already have a strong brand attitude and interest and wants to investigate further what their experience would be like as a later factor in the information collection process.

### 5.1.4. Considerations regarding the future of online reviews in a high involvement context

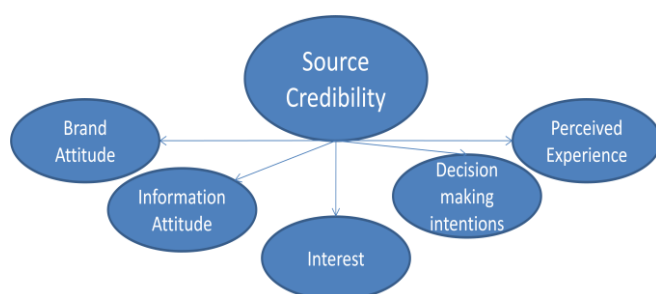
On a final note regarding the effects of eWOM, it is important to reflect upon the development of the internet. The World Wide Web is still in its infancy, and the population's interactive internet skills are evolving rapidly. How customers relate to eWOM is bound to change overtime as we grow more accustomed to using the internet. Reigner (2007) argues that we will most likely see an increase in user generate content in high involvement contexts, and as people become

better at using the internet more interactively, the influence on effect variables will most likely change.

## 5.2. The characteristics of eWOM

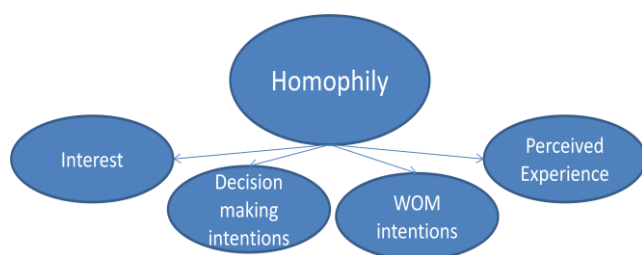
The current theory within WOM and eWOM has found that tie-strength, source credibility and homophily are important predictors of how the WOM message will be received. However it has never previously been tested in a high involvement purchase context online. Based on the previous findings, I hypothesized that source credibility and homophily would positively predict the effect on the variables tested earlier. The analysis supported the existing theories to a large extent, and I found that the two characteristics of eWOM are important predictors on the tested effect variables. The model explained variances observed ranging from 16.4 – 50.1% on the different consequences of eWOM, which can be interpreted as fairly good. Most significant was the effect on perceived personal experience explaining 50.1% of the variance, Information attitude, 49.6% of the variance and intention to use in decision making 42.5% of the variance.

### 5.2.1. The importance of source credibility



On a closer look, the results revealed that source credibility is the most important predictor of brand attitude, information attitude, and intention to use the information in decision making. It also showed to be an important, yet not the driving force, for the predicted effect on interest and perceived personal experience. With regards to source credibility the findings can be argued to support and strengthen existing theory rooted in the attribution theory (Kelly, 1967). In order to generate a positive attitude of the eWOM information, for the information to be considered in the decision making or creating an interest it is important that information is credible. In a university context this implies that the review which is considered as less credible, will to a larger extent be discounted by prospect students. This would then result in the desired effect on these effect variables would be missed, which may be a contributing reason to why no effect was observed in this study as I suggested earlier. On an overall note, it could be that source credibility is more of a necessity for eWOM to be influential; however it is not the driver as such.

### 5.2.2. The importance of homophily



Homophily showed to be the primary driver of the effect in intentions to discuss the program with friends and family, for perceived personal experience, and for interest. In addition, it was shown to be an important predictor, yet not the primary one, for intentions to use in decision making. The results indicate that homophily is a very important characteristic of eWOM in a high involvement context, which also supports, and strengthens the existing literature. In the context of choosing a university it means that reviews ought to mirror the characteristics and interests of prospect students in order to reach desired effects on the intention to discuss it with friends and family, and on the prospects student's perception of his or her own experience. Understanding this in the light of the findings discussed in 5.1.2. it also means that in order for the eWOM review to be sticky, and remain a topic of discussion, it is primarily important that the reader can relate to the reviewer in one way or another.

### 5.3. Independent third party website

The last hypothesis was tested in order to shed some light on the upsurge of reviewer possibilities on company affiliated sites, and compare it to third party, independent review sites. The results revealed eWOM information is considered more biased on company affiliated websites, and consequently is considered less credible compared to independent websites. The findings support Brown et al. (2007) who predicted that the website itself becomes a proxy for credibility, as well as, Sniezek et al. (2004) who found that the stronger affiliation a reviewer is perceived to have with the company, the more biased will it be considered. This finding is important to understand for both companies and runners of opinion platforms. Everything else equal, if two sites compete with the same information, eWOM on the third party opinion platform are more likely to influence the reader compared to eWOM information on the company affiliated site. The findings imply that marketers should not neglect the existence of other more credible forums where potential consumers can voice their opinions, and only focus on their own websites. In addition, it is not unlikely that the two sites will be considered complementary to each other for a prospect student, since many sources are likely to be consulted.

## 5.4. Implications for practitioners

How then do all these findings translate into useful advice for marketers providing services of high engagement character? To answer this question, I will describe what the findings imply for European universities as an illustration. This is, as mentioned in the introduction, due to their need to ramp up their marketing efforts to meet the expected challenges of increased competition coming from a European unified educational system.

With the analysis above it become evident that online reviews are useful for universities to attract prospect students. While reviews may not be the primary source of information feeding directly into the traditional decision making chain, it still provides some of the necessary aspects of information surrounding the final decision. In addition, this information is difficult to attain elsewhere equally efficient. Furthermore, for universities with weaker brand names, or for universities that are targeting students in regions where they reach lower brand awareness, reviews could be a factor that leads to prospect students discusses programs further which otherwise would have been disregarded. Moreover, with the control of the reviews, universities can choose to post reviews that are tailored to mirror the attributes of desired students. Given that homophily affects many of the important variables such as interest, intentions to discuss the program with friends and family, and perceived personal experience, a tailored review would mean that desired students will feel more alike with the current students, and create a higher interest.

Given the insignificant cost it involves for universities, student reviews should strongly be considered as a core part of any university's marketing communication mix. However, it is vital that universities are careful with the use of online reviews and make sure that they hold a high level of credibility, and not abuse the trust of prospect students. It is also important that the reviews are informative, and provides a holistic picture of the experience in the program, as well as, what comes after the program. Furthermore, it could also be wise to make sure students post reviews on independent sites. Even though the university gives up control of the message, it is likely that the message will be positive due to the self-interest of the students posting the review.

In this study, eWOM has been considered as the only source of information regarding the program and has been compared to a generic program description. While in reality these are complements and not substitutes, the university should form a clear strategy of what should be covered in the in program, and what should be mentioned in the review.

When you browse around university websites you are increasingly seeing the reviews on both prominent universities such as the London School of Economics, Yale, and HEC, as well as on less prominent more local universities. Nevertheless, prominent local universities become less known when the market for the students grow, and less well-known local universities have the opportunity to become international and increase the standard of education. While reviews alone will not make this happen, it could be a potent weapon in the emerging intra-continental battle for students.

With regards to other high engagement decisions, the same rationale ought to apply. Reviews need to be informative, mirror the desired consumers, patients or participants, and they need to be credible. It may not be the most prominent factor in a person's decision that leads to the final decision; however, it contains important information aspects similar to those presented above for universities. With regards to reviews for high engagement services or products, a clear strategy should be developed by the marketer, and when possible it measures should be taken to facilitate the consumer to write reviews. In other service settings where competition is higher, reviews will also serve as an internal motivator to keep the quality high among employees.

### **5.5. Critical review of the study**

Throughout this paper it has been my ambition to keep a high academic standard. I have based my hypotheses on a thorough review of the existing literature, and organized my data collection carefully. The experiment was designed, while trying to reflect reality as much as possible, yet still control for as many extraneous factors as possible. Subsequently I have used rather stringent tools of analyses that are normally not used in master theses. However, while these measures only take me that far, there are some factors that need to be considered regarding the study.

First of all, given the novelty of the phenomenon, there are most likely papers that are currently making their way in to academic journals that could have been useful. Secondly the study was set up in a manner where eWOM information was contrasted against a formal description of the program. These types of information are normally not considered substitutes, but as complements. I decided to make this contrast on purpose allowing me to isolate the effects, and keep a high level of control. This of course decrease the external validity slightly, however, when the results are interpreted, there are no direct worries why the findings could not be applied in a wider setting. Thirdly, the design of the websites and the authoring of the stimulus text were subjectively done by me. This means that the lack of observed differences in some of the effect

variables, I cannot rule out that this could be due to my engineering of the text, and not the inherent nature of online reviews.

With regards to the participants and sample, two things should be noted. Firstly, the subjects in this study were Swedish bachelor students. Because it is not yet common practice that bachelor students in Sweden are considering master programs at different universities, the experiment may not capture the way Swedish students will consider this information in the future. The counterweight of this symptom is the fact that Swedish university students are privileged with a world class internet infrastructure, and long experience of an interactive use of the web. Secondly in the email I tried to encourage the participants by setting the right mood. Unfortunately, I could not observe if this had the desired effect. The final and most important critique to the study is the rather small sample size. I contacted seven universities and sent out invitations and reminders to almost 2000 students. While a low response rate is expected in online experiments and questionnaires, I aimed to reach a larger sample size than I did. Prior to the study, my tutor and I had agreed upon that a sample of 120 as a minimum. This level was off course reached. While the differences observed in the experiment would most likely hold in a larger sample, I would have been able to make more qualified statements regarding the lack of differences regarding the rejected hypotheses.

## **5.6. Future Research**

During the study I have been standing at junctions where I had to decide on what I would focus on in this study. At each intersection I have had to abstain from other interesting research questions, and leave them for future researchers. In addition, as was revealed in the discussion above, the study activates many questions that become relevant for future research. Furthermore, due to time constraints and other technological constraints I have had to create a simple study for a complex phenomenon. This has resulted in two broad avenues of future research. One leading down the path building on own study, the other branching out earlier and relate to different aspects of eWOM that I consider interesting.

### **5.6.1. Down the first avenue**

Firstly, as for most research regarding WOM and eWOM it would have been fantastic to observe the whole causal chain reaching from awareness to actual decision, and not stop at intentions. In addition, it would be useful to complement data from questionnaires with interviews and secondary data, such as web statistics to get a more holistic view of the nomological net. With today's technology this would definitely be possible; however, it may be out of the scope of a



master thesis. Secondly, related to eWOM in a high involvement context, it would be interesting to look at to what extent other forms of eWOM has an influential role leading up to a decision in a high involvement context.

Some more specific questions merits further research based on the conclusions of my findings. First of all, a study regarding the matter of valence in a high involvement context would benefit the existing literature. Most importantly regarding future research based on my own study I recommend further investigation in how eWOM in form of reviews affect consumers. In my study I have focused on traditional variables that feed in to decision making context. However, after having found that the reviews may affect the consumer on more indirect variables, an exploration of how these indirect variables lead to more educated decisions for the individual and higher revenues for the company are very useful. Theories that explain this relationship would be much desired and important for the future research. Finally, I hope that researchers in the future will look at other characteristics of eWOM that are important predictors of the effectiveness. My study could explain up to 50 per cent of the variance observed, however there is an additional 50 per cent that needs to be investigated.

#### **5.6.2. Down the other avenue**

In addition to questions directly related to my study I would recommend a thorough investigation on the role of eWOM in the future as people become more adapted to the internet and more experienced in using the internet more interactively. Secondly, since my research indicated that the quality of information is perceived differently on different sites a thorough research on the effects of the type of website is desired, not just for academics but also for practitioners. Unfortunately it was out of the scope of this paper to do anything but scratch the surface of this phenomenon. Such an investigation would however be valuable for marketers as it would help them determine if it is worth allocating resources to other websites than their own. Finally, since it was not the focus of this thesis I have avoided questioning the overall concept of online WOM. Having finished the thesis, my strongest suggestion to future research is to compare all the different types of eWOM, and on a meta level, look at how it relates to traditional WOM, and make recommendations of what should be included in the term of eWOM. The time has come, where a clearer picture of the two phenomena is much needed.

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## 7. APPENDIX

### 7.1. Appendix A: The websites

#### University official website



#### Third party Independent website



## 7.2. Appendix B: The stimuli text

### eWOM statement

I recently graduated from the M.Sc. program in business at the International College of Business and Economics. I believe I got accepted to the program because of my strong analytical skills and my ambition to reach a global leadership position. ICBE is one of the leading institutions within the field of business, and the department is one of the largest in the world with a globally recognized faculty.

In the M.Sc. program we developed a strong theoretical base which we then applied in practical settings. Not only did I improve my analytical abilities substantially. Since the education was combined with practical skills training, I also improved my business skills. During the program we worked on real-life projects and I acquired an excellent understanding of the full business model and how its different parts are related and work together. The two year master was for me extremely challenging and I only recommend this program for students with very strong academic backgrounds. I felt that the intellectual quality was very high among us and this I guess was guaranteed by the limited intake of only 40 students.

Being in a small class of internationally diversified students creates a strong network that reaches across the world. We were constantly encouraged to cooperate and coordinate with each other, and work together in groups. Not only did I graduate with a broadened intellect but also with strong business and interpersonal skills tailored for intercultural collaboration. The studies were challenging and required our full attention, but were simultaneously very stimulating.

Since a degree in business from ICBE is widely recognized internationally, we were all heavily targeted by top employers from all over the world. Due to the school's global recognition as well as the large dispersed alumni network in key managerial positions, I felt that I had an advantage in my application processes. In order to facilitate us, ICBE hosted great career fairs twice a year. Many of my friends, including myself, are now working in management positions in the fortune 500 companies. Finally, not only did I find my dream job, I also found friends for life.

**Marketer generated formal statement**

The M.Sc. program in business at the International College of Business and Economics targets students with a strong analytical background who have the ambition to reach global leadership positions. ICBE is one of the leading institutions within the field of business. The department is one of the largest in the world with a globally recognized faculty.

In the M.Sc. program the participants will develop a strong theoretical base, which they then apply in practical settings. Not only will the students improve their analytical abilities substantially. Since the education is combined with practical skills training, the students will also improve their business skills. During the program the students will work on real-life projects and acquire an excellent understanding of the full business model and how its different parts are related and work together. The intellectual quality is very high among the students and this is guaranteed by the limited intake of only 40 students.

The small class of internationally diversified students creates a strong network that reaches across the world. Students are constantly encouraged to cooperate and coordinate with each other, and work together in groups. Not only do students graduate with a broadened intellect but also with strong business and interpersonal skills tailored for intercultural collaboration. The studies are challenging and require the students' full attention, but are simultaneously very stimulating.

A degree in business from ICBE is widely recognized internationally, and students are heavily targeted by top employers from all over the world. With a global recognition as well as a large dispersed alumni network in key managerial positions, students from ICBE are at an advantage in application processes. In order to facilitate the students, ICBE hosts great career fairs twice a year. Many of students are working in management positions in the fortune 500 companies. Finally, not only do the students find their dream jobs, they also find friends for life.



### 7.3. Appendix C: Questions included in the questionnaire

Age: \_\_\_\_\_

**Gender:**

Woman ☐

Man ☐

**Given the information you just read, what is your attitude towards the M.Sc. in Business at the International College of Business and Economics?**

negative	1	2	3	4	5	6	7	Positive
bad	1	2	3	4	5	6	7	good
Unfavorable	1	2	3	4	5	6	7	favorable

---

**The information you just read about the M.Sc. in Business at the International College of Business and Economics is**

Not at all useful	1	2	3	4	5	6	7	Very useful
Not accurate at all	1	2	3	4	5	6	7	Very accurate
Not informative at all	1	2	3	4	5	6	7	Very informative

---

**After having read the information I...**

	Not at all true						Very True
am curious about the M.Sc. Program	1	2	3	4	5	6	7
would like to know more about the program	1	2	3	4	5	6	7
am intrigued by the program offering	1	2	3	4	5	6	7

---

**Assuming that you were thinking of applying to this program, how likely would you be to use the above information in your decision-making?**

Not at all likely      1   2   3   4   5   6   7   Very likely

**Assuming you are in the process of choosing a master program, how likely are you to discuss the M.Sc. in Business from ICBE with friends and family?**

Not at all likely      1   2   3   4   5   6   7   Very likely

**Assuming you have a friend that you know are about to choose a master program and is interested in business studies, how likely are you to forward this information from ICBE to your friend electronically?**

Not at all likely      1   2   3   4   5   6   7   Very likely

---

**Please indicate to what extent you found the information regarding the M.Sc. program at the International College of Business and Economics to be:**

Not trustworthy	1	2	3	4	5	6	7	very trustworthy
Not believable	1	2	3	4	5	6	7	very believable
Not biased	1	2	3	4	5	6	7	Very Biased (needs to be reversed coded)
Not accurate	1	2	3	4	5	6	7	Very accurate
Not reliable	1	2	3	4	5	6	7	very reliable

**Overall, how credible do you find the information about the program?**

Not at all credible      1   2   3   4   5   6   7   very credible

---

Considering your personal situation, how much could you relate to the information about the program at the International College of Business and Economics?

Not at all                      1   2   3   4   5   6   7                      Very much

To the best of your knowledge, how similar do you think you will be with the students of the program?

Not at all similar                      1   2   3   4   5   6   7                      Very similar

After having read the information, I have a good perception of what my experience at ICBE would be like

Not at all true                      1   2   3   4   5   6   7                      Very true

**To what extent do you agree with the following statements?**

1 - 7

Studying at a university is a high engagement decision  
Choosing a university program is an important decision  
Before I am about to choose my master I would actively seek information  
The information about the program was a personal statement  
Reading about a university program like this is realistic

Thank you for your participation!

To enter the drawing for cinema tickets and scratch cards please enter your email here. Note that your email will be separated from your responses in the survey, and you will remain anonymous.

Email:\_\_\_\_\_