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The Perceived Credibility of Positive and Negative Word of Mouth

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Abstract

Electronic word of mouth (eWOM) has surfaced as a new communication channel between customers. However, there are some issues in terms of the credibility of eWOM posted on review websites. The main purpose of this study is to contrast the perceived credibility of traditional and eWOM in the context of hotels. Since both traditional and electronic word of mouth communication can be either positive or negative, this study also seeks to understand the role of information valence in influencing consumers' credibility judgments. The findings of this study reveal that the valence and medium of word of mouth messages both affect consumers' perceived credibility.

JEL classification: M1/M3

Keywords: Word of Mouth, Perceived Credibility, Expertise, Trust

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1. Introduction

The importance of word-of-mouth communication has long been recognized by marketing researchers and practitioners. More recently, electronic word of mouth (eWOM) has surfaced as a new communication channel between customers. In fact, eWOM has become one of the most effective marketing tools in use today (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004; Jin & Phua, 2014; Zhang, Craciun, & Shin, 2010).

However, there are some issues in terms of the credibility of eWOM posted on review websites. Online reviews are often posted anonymously thus casting some doubt on the accuracy of such comments (Sen & Lerman, 2007). The validity of eWOM has been further questioned as some companies insert promotional messages in review sites in order to manipulate consumers. As with traditional Word of Mouth (WOM), many consumers vent their negative feelings making the receivers question the credibility of such information (Richins, 1983). The main purpose of this study is to contrast the perceived credibility of traditional and electronic word of mouth in the context of hotels. Since both traditional and eWOM communication can be either positive or negative, this study also seeks to understand the role of information valence in influencing consumers' credibility judgments. A deeper understanding of these issues is critical for hospitality companies due to the power of eWOM in influencing consumers' choices of intangible services (Jeong & Jang, 2011; Sweeney, Soutar, & Mazzarol, 2014).

2. Literature Review

2.1 Word of Mouth Communication

In the consumer decision making process, the method by which consumers obtain information can highly influence their decisions. Due to the fact that in-person word of mouth communication is perceived to be honest and real sharing of true opinions and information about products and services, it is fundamentally different from other forms of marketing (Balter & Butman, 2005). According to Arndt (1967) word of mouth communication is "a person to person communication where the person who receives information regarding a product, brand or service from a communicator perceives the information as non-commercial." Services are intangible and hence it is difficult for consumers to accurately evaluate the value of service prior to purchase. Consequently, word of mouth communications may be particularly critical in the context of experiential services such as hotels (Bansal, Taylor, & James, 2005; Koernig, 2003). eWOM differs from its traditional counterpart in that it entails the sharing of consumer experiences, attitudes, and opinions on-line rather than face-to-face (Lee & Hu, 2004). For example, an increasing number of consumers use on-line discussion boards to provide and seek recommendations on products (Fong & Burton, 2006). eWOM can take many forms such as e-mails, instant messaging, homepages, blogs, newsgroups, chat rooms, review sites, and social networking sites (Goldsmith & Horowitz, 2006).

Prior research suggests that the effectiveness of eWOM communication is similar to traditional WOM (Goldsmith & Horowitz, 2006; Gruen et al., 2006; Hennig-Thurau et al., 2004). For example, Lin et al. (2005) showed that Internet book reviews were perceived as reliable sources of information, thus helping the purchase decision process. Similarly, hotel reviews are easily accessible via the Internet. Websites containing hotel reviews such as Expedia, Orbitz, and TripAdvisor are highly popular among travelers looking for information. However, the full potential of eWOM has yet to be realized as many marketers are not entirely certain as to how to respond to this form of communication. Hiding behind the anonymity of the on-line environment,

some companies have started to post promotional messages as reviews (Mayzlin, 2006). Yet, consumers tend to find eWOM persuasive even if they are aware of the potential deception of promotional messages (Mayzlin, 2006).

2.2 Perceived Credibility

The degree to which the receiver feels a connection with the sender is a factor that influences perceived credibility of a message. When there are strong ties between the sender and the receiver, the message has a greater influence on the receiver's opinions and behaviors as opposed to a weak tie situation (Brown & Reingen, 1987; Godes & Mayzlin, 2004). Consumers perceive traditional WOM as influential and powerful because of the strong bond and trust created between receivers and senders (Bansal & Voyer, 2000). In other words, source credibility has a strong impact on persuasiveness of the message (Anderson & Clevenger, 1963; McGuire 1968). In addition, several studies have demonstrated that perceived credibility is positively correlated with influence on message recipients' behavioral intentions as well as actual behaviors (Gilly, Graham, Wolfinbarger, & Yale, 1998; Harmon & Coney, 1982; Lascu, Bearden, & Rose, 1995; Senecal & Nantel, 2004).

Multiple studies have suggested that various items affect the perceived credibility level of a message. For example, work conducted by Freeman and Spyridakis (2004) examined the usage of contact information placed on websites. It was found that websites that provide street addresses were perceived to be more credible than those that did not. Another study found that the amount of time an individual spends on the Internet can have a large impact on the credibility of news sources. Greer (2003) found that the longer the amount of average daily Internet usage an individual has is directly related to the level of perceived credibility they have for online news sources as opposed to tradition news sources. Additionally, research in the travel industry suggests that in general users perceived credibility of information posted to travel websites is low (Kwak, Fox, & Zinkhan, 2002).

While previous literature suggests various dimensions of credibility, most researchers agree that trustworthiness and expertise make up the two key elements required for credibility (Fogg, 2003; Fogg, Lee, & Marshall, 2002; O'Keefe, 2002; Rhoads & Cialdini, 2002; Yoo & Gretzel, 2008). Trustworthiness is related to qualities of integrity and personal character (O'Keefe, 2002). Additionally, one of the major components of trustworthiness is perceived intentions (Yoo & Gretzel, 2008). Research conducted by Petty and Cacioppo (1981) found that individuals who attempt to persuade others to engage in specific actions were perceived to be less trustworthy than individuals who were not attempting to persuade others. Trustworthiness is composed of multiple dimensions such as truth (Fogg et al., 2002), benevolence, integrity (Mayer, Davis, & Schoorman, 1995), reliability, and intentions (Delgado-Ballester, 2004). Another key element of credibility is expertise. According to Mayer et al. (1995), expertise is an individual's ability to influence others. Expertise is made up of the dimensions of knowledge, experience, competence (Fogg et al., 2002), and qualifications (O'Keefe, 2002). According to O'Keefe (2002) in order for a message to be perceived as credible the source of the message must have both trustworthiness and expertise. Additional research by Fogg (2003) indicates that if the source of a message is weak in either trustworthiness or expertise the overall credibility of the message will be low. Consequently, when marketers engage in self promotional chats their messages are easily perceived as having low credibility due to lack of trust. In addition to this the lack of a strong tie between the receivers and senders of these eWOM messages can cause them

to be perceived as less credible than traditional WOM messages. Based upon the above factors this study intends to investigate whether the credibility of eWOM is lower than WOM in the hotel industry.

Hypothesis 1: *The level of credibility of eWOM is lower than the level of credibility of WOM.*

When a company uses eWOM in reference to their own products and services they are more likely to articulate a positive message rather than a negative one. This may cause consumers to perceive positive eWOM to be less credible than negative eWOM as they may be aware of such practices. On the other hand, negative WOM may not always be detrimental to consumers' purchase intentions or beliefs about a product or a company (Laczniak, DeCarlo, & Motely, 1996; Sundaram & Webster, 1999; Wanke, Bless, & Schwarz, 1999; Wilson & Peterson, 1989). This suggests the valence of word of mouth does influence how recipients receive the message. This leads to the second and third hypotheses of this study.

Hypothesis 2: *The valence of eWOM has an impact on the level of credibility of eWOM.*

Hypothesis 3: *The valence of WOM has an impact on the level of credibility of WOM.*

3. Methodology

This study utilized a web-based survey. College students were selected as the sample population because they are considered to be Internet savvy with similar demographic backgrounds. Potential research subjects were invited to participate in the study via email. A web link contained in an email was sent to the sample pool. Upon entering the survey, one of four scenarios was randomly presented to the participant. Each of these scenarios described a situation where the subject received either positive or negative comments and reviews from a friend in a traditional face-to-face setting or where the participant read identical comments and reviews in an online hotel review website (Table 1).

Table 1. Expertise and Trust

The provided hotel review . . .	
Expertise	
Cronbach's Alpha: .833	provides useful suggestions
	makes decisions easier
	is a good way to learn about different product options
	offers suggestions that I might not have thought of
	helps me to find things I really like
	can provide me with more valuable recommendations than (human beings/ the Internet)
Trust	
Cronbach's Alpha: .911	is reliable
	is dependable
	is designed with the best intentions in mind
	can be trusted
	is not biased
	wants me to find an option that best fits my needs

is a good way to get suggestions from a neutral source
is there to help me

The four groups represented positive WOM, positive eWOM, negative WOM, and negative eWOM. The same content was presented in both the positive WOM and eWOM scenarios with the only difference being that the subject was told that they either received the information directly from a friend or that the participant had read the information online. Likewise, the same was done for the negative WOM and eWOM scenarios. In other words, there was no difference in the content between the WOM and eWOM scenarios. Only the implied delivery method of communication was different (i.e. through a friend or through a website). A manipulation test was performed to control the level of valence of the content by using a single item asking how positive or negative the provided review was (1 = extremely negative, 7 = extremely positive). After reading a scenario (Appendix 1), respondents were asked to answer questions that measured perceived credibility. A 14-item, five-point, Likert-type scale was employed to measure the two perceived credibility factors of expertise and trust (1= strongly disagree, 5 = strongly agree). The items were adopted from Yoo and Gretzel's (2008) study. Respondents were also asked to answer some demographic items including gender and ethnicity.

4. Data Analysis and Results

A total of 127 surveys were collected of which 122 were determined usable. Of these respondents, approximately 32% were male and 68% were female. Two by two ANCOVAs were conducted to examine the impact of eWOM/WOM and valence of message on the two dimensions of credibility, expertise and trust (Table 2). A t-test was performed to check manipulation and revealed that the level of valence of the scenario content was well controlled ($M = 6.59$, $M = 1.80$, for positive and negative scenarios respectively, $t(125) = 24.64$, $p < 0.001$).

Table 2. Summary of ANOVAs

	Expertise		Trust	
	F	Sig.	F	Sig.
Gender	5.019	.027*	.532	.467
Delivery method (Online/Offline WOM)	.860	.356	18.489	.000*
Valence (Positive/Negative)	25.200	.000*	22.898	.000*
Delivery Method * Valence	.362	.548	.095	.758

*Note: * denotes significantly different from each other at the 5% level.*

In terms of expertise, there were no differences between eWOM and WOM ($M = 4.14$, $M = 4.40$ for eWOM and offline WOM respectively). However, the main effect for information valence was significant. Positive communication, both online and offline, was perceived to be

more credible in terms of expertise than negative communication ($M = 4.77$, $M = 3.72$ for positive and negative WOM respectively). The t-test revealed a significant difference between positive offline WOM and negative offline WOM ($M = 4.92$, $M = 3.76$, respectively, $t(62) = 3.82$, $p < 0.001$), and positive eWOM and negative eWOM ($M = 4.59$, $M = 3.68$, respectively, $t(56) = 3.02$, $p < 0.01$) with regards to expertise. There was also a gender effect on expertise.

Regarding trust, both the medium (WOM/eWOM) and valence of information main effects were significant. Offline WOM ($M = 4.66$) was perceived as more credible than eWOM ($M = 3.70$) and positive messages, both online and offline, ($M = 4.71$) were perceived as more credible than negative messages ($M = 3.66$). The t-test also revealed a significant difference between positive offline WOM and negative offline WOM ($M = 5.12$, $M = 4.08$, respectively, $t(63) = 3.45$, $p < 0.01$), and positive eWOM and negative eWOM ($M = 4.17$, $M = 3.26$, respectively, $t(56) = 3.33$, $p < 0.01$) in terms of trust.

5. Discussion and Limitations

In this study, traditional WOM was found to be more credible than eWOM. The results of this study are consistent with previous research that traditional WOM is one of the most influential sources of information (Crotts, 1999; Mack, Blose & Pan, 2007). In terms of trust, perceived credibility depended on whether the review came from a friend or from a website. As hypothesized, reviews from friends are perceived to be more reliable, dependable, trusted, and not biased. This may be due to the level of tie strengths between receivers and senders of WOM messages. It should be noted, however, that in terms of expertise, there was no difference in perceived credibility between the two modes of communication. In other words, receivers perceived online hotel reviews to be as useful, helpful, and valuable as the reviews from their friends. Online and offline WOM had the same impact on making the receivers' decision easier.

The valence of the word of mouth message also influenced perceived credibility. The findings indicate that positive WOM, both online and offline, was perceived to be more credible than negative WOM. This finding runs contrary to prior studies suggesting that receivers place more value on negative WOM than on positive WOM (Ahluwalia & Shiv, 1997; Weinberger, Allen, & Dillon, 1980). However, dissatisfied customers are especially motivated to tell others about their purchase experience (Day & Landon, 1976; Holmes & Lett, 1977; Richins, 1983). Research also shows that dissatisfied customers are four times more likely to inform others of their bad experiences as opposed to satisfied customers (Hanna & Wozniak, 2001). Accordingly, some consumers might view negative WOM as a personal attack on a company. This in turn might have a negative impact on the credibility of a negative review or recommendation. This may be due to the potential bias of the message source. Receivers of WOM may perceive the messages to be less useful, reliable, dependable, and trusted if they feel that the senders are venting their personal negative feelings towards the company by spreading negative WOM.

Marketers should pay attention to the fact that eWOM is perceived to be as credible as traditional WOM in terms of expertise. Receivers perceive eWOM to be as useful, helpful, and valuable as the information they receive from their own friends. The findings of the study emphasize the importance and the impact of eWOM, and suggest that marketers need to develop appropriate strategies to encourage their customers to provide favorable comments on the Internet. Additionally, this study revealed that positive WOM, both online and offline, are perceived to be more credible than negative WOM. As such managers need to understand what motivates consumers to spread positive WOM and develop their strategies accordingly.

As with all research it is not possible to conduct a perfect study. As such there are limitations to this study. First, the study used hypothetical scenarios as stimuli. Since the participants had not personally experienced the situations presented it is possible that their responses did not fully reflect their true opinions as strongly as if the incidence had actually occurred to them. Second, the sample was composed of college students. While there has been research to investigate the validity of college student as sample populations (Flere & Lavirc, 2008) it is widely believed that college students do not fully represent the population as a whole. Thus, it is possible that if this study were conducted with a different sample it may yield different results. Third, there may be other variables that affect the credibility of WOM other than the valence of information that was examined in this study. For example, information reflecting hotel employees might be perceived as being more credible than information regarding the firm. As such extending this study to include additional variables may provide additional results worth examining. Finally, this study examined forms of word of mouth communication in a specific segment of the hospitality industry. It may be of interest to expand this study to other segments of the hospitality industry as well as other industries.

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Appendix 1.

	<p><u>Traditional Word of Mouth:</u> You are in the process of planning a vacation. There are several hotels in the area that you will be visiting. Since this will be your first trip to the area, you are unsure as to which hotel would best suit you. You decide to ask a friend who has stayed at one of the hotels what they thought of it. The following is what they told you.</p>	<p><u>Electronic Word of Mouth:</u> You are in the process of planning a vacation. There are several hotels in the area that you will be visiting. Since this will be your first trip to the area, you are unsure as to which hotel would best suit you. You decide to use the internet to find some reviews from previous guests who have stayed at the hotels. While you are searching for reviews you come across the following.</p>
Positive scenarios	<p>What a pleasant experience!! Let me tell you all about it. By far, it was one of the best hotels that I have stayed in. The rooms are well maintained and clean especially with the marble floored bathroom and a separate gorgeous shower. The common areas are very nice with the beautiful decor in the lobby and the staff was very helpful and courteous. There is a wide range of restaurants to dine at. The taxi service is well organized, too. I will return to this hotel as often as I can. I was very pleased with my stay and would go back and stay there again. I would definitely recommend this hotel.</p>	<p>Nice pleasant experience!! By far, it was one of the best hotels that I have stayed in. The rooms are well maintained and clean especially with the marble floored bathroom and a separate gorgeous shower. The common areas are very nice with the beautiful decor in the lobby and the staff was very helpful and courteous. There is a wide range of restaurants to dine at. The taxi service is well organized, too. I will return to this hotel as often as I can. I was very pleased with my stay and would go back and stay there again. I would definitely recommend this hotel.</p>

<p>Negative Scenarios</p>	<p>What a bad experience!! Let me tell you all about it. What a mistake. The line for check-in took close to half an hour. When I got close to the agent at the counter, I was gruffly instructed to go to a new line. When I finally got to the counter, I was informed my room was not ready. The front desk employees were rude and did not try to honor the requests I made months in advanced when I booked my trip. I had to ask for a manager in order to have my requests honored. The pool waitresses were extremely rude and took their time in providing service. The rooms are old and the hotel is way less impressive than what it looks like on the website. I will not go back and would not recommend this hotel.</p>	<p>Bad unpleasant experience!! What a mistake. The line for check-in took close to half an hour. When I got close to the agent at the counter, I was gruffly instructed to go to a new line. When I finally got to the counter, I was informed my room was not ready. The front desk employees were rude and did not try to honor the requests I made months in advanced when I booked my trip. I had to ask for a manager in order to have my requests honored. The pool waitresses were extremely rude and took their time in providing service. The rooms are old and the hotel is way less impressive than what it looks like on the website. I will not go back and would not recommend this hotel.</p>
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