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# **Impact of Online Consumer Reviews on Consumer Purchase Decision in Bangalore**

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**Abstract - Indian online marketing is becoming more dynamic day by day. The characteristics of online market are undergoing major change as the technology enabling consumers to be more vigilant and logical while making purchase decisions. Online reviews and ratings are actually part of marketing strategies of online sellers to influence the consumer purchase decisions. Consumers are referring to these reviews and ratings while they purchase products online. This study will focus on understanding the impact of online reviews on purchase decisions of consumers and to study the drivers of their engagement in online reviews. Exploratory research design is adopted for the purpose of the study and survey was conducted among college students in Bangalore.**

**Keywords: Online reviews, consumer purchase decisions, online market and online ratings.**

## **I. INTRODUCTION**

The growth of internet technology has made the marketers to focus on marketing products and services in more convenient and beneficial way to the consumers. Internet has made the online shopping experience of consumers better as they can easily buy products sitting at their home and products are delivered at their door steps. There is an availability of huge volume of information in internet which can help the consumers to make online purchase decisions. Consumers also can refer the online reviews

available in the websites to get information about characteristics, quality, performance and price of products.

Online reviews and ratings include brief profile information about consumer posting, community rated reputation of reviewers indicating the usefulness of previously posted reviews and other products purchased (Wu, P.F. 2013). Online reviews include opinions, ratings, symbols, images, icons etc. that represent views of consumers are called avatars. Consumers take the help of experts or friends or peer to search for information about products and services online. Websites and online retailers ensure that there is a section for online reviews in their websites, which can help consumers to get information (Prabha Kiran and Vasantha S. 2015).

Online marketers and advertisers are investing money in advertising in social media to enhance the trust among consumers about source of information in order to influence their online purchase decisions (Simona Vinerean et.al. 2013). Product reviews have become an important source for consumers to make online purchase decisions as they can get information from reviews, ratings and opinions (Georg Lackermair et.al. 2013).

## II. REVIEW OF LITERATURE

Smita Dayal (2016), suggests that, firms apply social media in the areas of social marketing, social customer relationship management and new business models. Social media is a fundamental change in the way firms operate and interact with prospects, customers, employees and other stakeholders. Consumer purchase behaviour can be influenced by online reviews, where various factors like positive reviews, description rating, picture reviews, additional reviews and cumulative reviews have more and positive impact on consumer behaviour (Zan Mo et.al. 2015).

The perceived risk of consumers can be reduced to great extent as studied by Prabha Kiran and Vasantha S. (2015) and it can instigate the purchase intentions of consumers while they shop online. Social media play a significant role in influencing consumer behaviour through online ads, personal opinions, search experience, online reviews and online marketing activities (Simona Vinerean et.al. 2013).

Consumer decision making to purchase products based on online reviews will be influenced by online product reviews and online product ratings as they both differ in concept (Georg Lackermair et.al. 2013). Vimaladevi and Dhanabhakaym (2012) examined that there were significant effects of online reviews on buyers' purchase frequency and buyers' purchase decision.

Consumers depend, to some extent, on social networks as they can interact with other consumers and retailers. Consumers also involved in online word of mouth communications to help other consumers (Ayda Darban and Wei Li 2012).

Online product reviews and ratings are having influence on consumer purchase decision as they form the basis for influencing psychological and social characteristics of consumers (Micheal and Alrasheed 2011). Consistency of website reviews, characteristics of reviews, usefulness of reviews and reliability of site have positive influence on consumer purchase decision as found in the study made by Ali and Murat (2011).

Feng and Xiaoquan (2010) found that online reviews served as great source of information while searching for product information online and online reviews are more influential where consumers have greater internet experience. Expert online reviews did not change consumer attitudes towards but they had a moderate role in product considerations and positive reviews had a positive impact on consumer behaviour (Ivar and Daphne 2009).

The impact of online reviews will vary from product to product and consumers utilise the reviews to assure themselves that products shipped will be same as reviewed (Lisa Hankin 2007). Consumers do look for critics of experts online while they purchase products. Loyalty to the website is important as they depend on reliability of the information (David et.al. 2005).

### **III. METHODOLOGY**

#### *i) Research Context*

The current research is aimed at analysing the impact of online consumer reviews on purchase decisions of consumers and studying the drivers of user engagement in online product reviews. For the purpose of the study following hypotheses were established.

- H1: Online reviews on websites will influence the frequency of buying online.
- H2: Consistency of online reviews affect consumer purchase decision
- H3: Popularity of the website that present reviews affect consumer purchase decision.

#### *ii) Measurement*

Based on the literature available and prior studies measures were adopted or transferred from previous studies and associated theories. A total of 20 measures were utilised in order to record the various constructs using 5 point Likert scale ranging from 1 to 5, 1 being strongly disagree and 5 being strongly disagree.

A questionnaire was prepared to conduct survey for the purpose of collecting primary data. The questionnaire was having two parts, one part related to demographic information and other part related online reviews and their influence on consumer behaviour. The 20 measures that included in the questionnaire have three constructs like characteristics of reviews, website that presents reviews and significance of reviews.

#### *iii) Sampling and Data Collection*

Since the study demands getting primary data, a survey was conducted using the structured questionnaire in Bangalore. A sample size of 200 was drawn using stratified sampling method to collect data. But only 193 respondents have participated in the survey. The responses were collected from under graduate and post graduate students from three different colleges in the city. The sampling errors were reduced to avoid any bias in the collection of primary data during the study.

The current study is based on exploratory research whose primary objective is to analyse the impact of online reviews on consumer purchase behaviour, where data was collected to test the hypothesis.

#### IV. RESULTS

##### i) Frequencies:

Majority of the respondents participated in the survey are male (64.2%) and female are 35.8%. Among the students who were part of the study graduates were 73.3% and the rest are post graduate students. Majority of the respondents are in the family income group of ₹25000 and above per month. Very few respondents said they buy products online very frequently and the majority said their frequency of buying products online is moderate. Majority of the respondents (65.3%) said they read most of the reviews on a website while they purchase the products online. Very few respondents said they read all the reviews posted by other consumers while they purchase products and services online.

##### ii) Chi-square test:

H1: Online reviews on websites will influence the frequency of buying online.

Table 1: Online reviews and frequency of buying

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.860 <sup>a</sup>	12	.796
Likelihood Ratio	7.809	12	.800
Linear-by-Linear Association	.577	1	.448
N of Valid Cases	193		

From the chi-square test it is understood that, p value (0.796) is more than significant level 0.05, so the hypothesis is rejected. It means online reviews in a website will not influence the frequency of buying the products and services online.

H2: Consistency of online reviews affects consumer purchase decision

Table 2: consistency of online reviews and consumer purchase decision

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.933 <sup>a</sup>	12	.245
Likelihood Ratio	16.636	12	.164
Linear-by-Linear Association	1.038	1	.308
N of Valid Cases	193		

From the above table it is inferred that, p value (0.245) is more than significant level 0.05, so the hypothesis is rejected and H0 is accepted. That means consistency of online reviews will not affect consumer purchase decision.

H3: Popularity of the website that present reviews affect consumer purchase decision.

Table 3: Popularity of a website and purchase decision

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.742 <sup>a</sup>	12	.203
Likelihood Ratio	16.357	12	.175
Linear-by-Linear Association	.929	1	.335
N of Valid Cases	192		

The hypothesis is rejected as the p value (0.245) is more than significant level 0.05 and H0 is accepted. It means the popularity of the website does not affect consumer online purchase decision.

*iii) Factor Analysis:*

The table 4 below shows the loadings of the eleven variables on the three factors extracted. The higher the absolute value of the loading, the more the factor contributes to the variable. Rotated component matrix is used to identify the factors that are relevant to the study. The idea of rotation is to reduce the number factors on which the variables under investigation have high loadings. Rotation does not actually change anything but makes the interpretation of the analysis easier.

Looking at the table below, we can see that recent reviews posted, impact of negative reviews, consistency of other reviews, helpfulness of reviews in making decision and number of reviews are loaded on factor 1 and the factor can be named as “characteristics of website”.

The variables popularity of website, reliability of website, related reviews and high rated reviews are loaded on factor 2 and it can be named as “the image of website”.

We can see from the table below that, variables spelling or grammar mistakes n reviews, internationality of website that presents reviews and simple recommendations are loaded on factor 3. It can be named as “accuracy and ease to use website”.

Table 4: Rotated Component Matrix

Statement	Component		
	1	2	3
Recent product reviews posted on website have more effect on my purchase decision than old reviews	.718		
When I buy products online, the impact of negative reviews on the web is greater on my purchase decision.	.703		
Consistency of other reviews posted on website affect my purchase decision	.699		
When I buy a product online, the reviews presented on the website are helpful for my decision making.	.497		
The number of product reviews affect my purchase decision	.492		
Popularity of the website that present reviews affect my purchase decision.		.741	

Reliability of the site that present the reviews affect my purchase decision		.714	
If website that presents reviews related to a company that I want to buy product from, affect my purchase decision		.629	
Received high ratings for products affect my purchase decision		.617	
Spelling or grammar mistakes in product reviews affect my purchase decision.			.721
Internationality of website that present the reviews affect my purchase decision.			.590
Simple recommendation reviews are subjective, emotional and have no support for arguments			.506

#### IV. DISCUSSION

Organisations apply social media to market their products and services online as they can influence the purchase decision of customers (Smita Dayal 2016). Online reviews on a website certainly are the biggest sources of information for customers who buy products from the same website (Feng and Xiaoquan (2010).

Though consumer reviews on a website influence the purchase decision of customers, the impact may not be much on actual decision to buy the products. The factors like consistency of website, popularity of website and internationality of website are having considerable impact on purchase decision of consumers. Whereas the factors like negative reviews, consistency of reviews and positive reviews are not having much impact on consumer decision making.

The positive or negative reviews, expert reviews, reviews with avatars and emotional reviews did not change the attitude of the consumers while they purchase the products online. The spelling or grammar mistakes, simple recommendations and pictures shown in the reviews are completely ignored by the customers.

#### VI. CONCLUSION

The online marketers have to look into streamlining the reviews given by the consumers and give some guidelines while writing the reviews. Certain standards need to be followed by the consumers while they write their reviews as these reviews have some impact on the purchase decision of customers. The consistency of reviews can be improved as the customers depend on reviews for getting information about products and services.

There is a scope for further research on online reviews as the environment is dynamic and technology is enabling customers to buy their products and services conveniently from anywhere and at any time. Researchers can look into understanding the dynamics of online reviews and online reviews as the biggest source of information for customers.

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