

The impact of social media and online customer reviews on product choice and customer retention

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ABSTRACT

The digitalisation continues to proceed and consumers increasingly make use of social media and online customer reviews. However it is sometimes difficult for companies to recognize the importance and opportunities of these factors. On the other side stand the consumers who are overwhelmed by the possibilities social media presents and struggle to find objective information towards their product or company. With the help of already existing literature that is relevant to the topic a review will be conducted to find answers regarding this problem. Furthermore a survey will be used to specifically address questions to a sample. Within these two processes it will be examined what the impact social media and online customer reviews have when choosing a product or considering becoming a loyal customer. The results of the literature review show that there is an impact from online customer reviews on product choice, however it does not provide enough information to draw a clear conclusion regarding the problem. The survey on the other hand clearly links online customer reviews with product choice as well as customer retention. It also gives also insights on how social media is involved, since it mainly is a function that indirectly influences product choice and customer retention. It was found that although only indirect connection could be drawn the impact is still relevant. Therefore the problem addressed at the beginning, namely how companies can recognise and use social media and online customer reviews, is represented in the impact. For consumers the outcome of the study helps to identify information sources as well as to decrease the bias that might occur from reviews or personal opinions when for example choosing a product.

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Keywords

Social Media, Online Customer Reviews, Product Choice, Customer Retention, e-WOM

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1. INTRODUCTION

1.1 Relevance of topic

A lot has changed through the digitalization and the World Wide Web. Companies and their products have become more transparent, the communication speed has rapidly increased as well as the size of the possible readers towards the released information. These processes become visible in market knowledge once controlled only by suppliers now shifting more and more towards consumers (Pires, Stanton & Rita 2006). Through this change, new approaches towards buying a product evolved from the customer. This includes online product- and service reviews, asking friends or using social media contacts for advice.

But what does “social media” stand for? According to Smith (2009) the shift towards user-driven technologies such as blogs, social networks and video-sharing platforms enabled a revolution. A revolution in terms of user generated content, global community and the publishing of consumer opinion, which is now referred to as social media. Nevertheless, it seems that when it comes to a definition of social media academic researchers as well as managers are unsure as to what is represented under this term and further on how it differs to related concepts like the Web 2.0 or User Generated Content. Web 2.0 is a term to describe a new way in which software developers and end-users started to utilize the World Wide Web. Shortly explained this means that content and applications are no longer created by individuals but are continuously modified by all users in a participatory and collaborative fashion (Kaplan & Haenlein, 2010). Concerning User Generated Content one can say that it refers to media contents created or produced by the general public. This excludes paid professionals as explained by Daugherty, Eastin & Bright (2008). Since the similar concepts of Web 2.0 and User Generated Content was defined it is now possible to give a more specific explanation of social media. In broad terms one can say that it combines the features of the Web 2.0 and User Generated Content. Meaning that “social media is a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0”, while including the creation and exchange of User Generated Content. In this context the leading social media platforms can be named as “Facebook”, “MySpace”, “Youtube” and “Twitter” (Kaplan & Haenlein, 2010).

It is proven that more and more customers make use of these features as a study of DiMauro & Bulmer (2014) implies. This change causes to revolutionize the state of marketing, advertising, and promotions (Hanna, Rohm, & Crittenden, 2011). Companies nowadays need to understand this change and act accordingly, instead of following a traditional marketing strategy, which includes print and television media (Hanna, Rohm, & Crittenden, 2011). It becomes clear that the customer engagement during the purchasing and service process is of more importance than before. The question that still needs to be answered is: To which degree is the buyer influenced by the named sources?

Another aspect that needs to be mentioned in this context is the retention of the customer. How likely is the return of the customer and who or what has an impact on his/her decision? It is obvious that only a satisfied customer in accordance with a good company reputation will lead to high retention rates. Gaines-Ross (2010) mentioned some examples in his article to elaborate on the behaviour of companies when dealing with customers. He named examples where companies had a quick

response time towards customer and media statements, which led to good damage control and in some cases to an even better reputation. However it was also shown in the article, that when dealing with the media in the wrong way (e.g. slow response or disproportionate reactions) it can greatly damage the reputation of the company and lead to an overall dissatisfaction of the customers. Due to the findings of Gustaffsson, Johnson & Roos (2006) stating that there is a positive relation between customer satisfaction and customer retentions, one can say that dissatisfied customers are likely no retention customers.

Considering the above mentioned factors one can formulate the following research question: “What is the impact of social media and online customer reviews on product choice and customer retention?”

The problem that most companies face, stays the following: an enlarged unawareness of the impact of social media on the relationship between customer and organisation.

A solution to the above named problem would not only raise the awareness but also allow companies to enhance customer retention. Furthermore will a deeper understanding of the process of product choice through social media and customer reviews improve the marketing strategy and placement, including traditional as well as new media. Therefore its scope is maximised, which increases the retention rate of current customers and in addition holds the possibility of gaining new customers (Hanna, Rohm, & Crittenden, 2011).

Through this study consumers are supposed to become aware of which factors, when choosing a product, have the biggest impact and are therefore the most valuable information source. Through this awareness potential customers can reduce their bias and select a product more objectively.

Another value of this study contributes to the research as it will give a clear statement on level of influence from each factor.

As mentioned before companies will be able to profit from this study as well, since it will identify the impact of social media and therefore may lead to different more suitable marketing strategies. In addition it will be revealed how social media or customer reviews affect the return of customers.

2. METHODOLOGY

In this study scientific literature dealing with similar issues as those presented in this paper will be analysed. The information necessary for this analysis will be retrieved from scientific journals, books and articles found on the search engines Scopus and Google Scholar. Key words such as social media, online customer reviews, product choice and customer retention were used to find relevant literature. With the help of this literature a literature review has been compiled in order to get an overview of the topic and an insight of the study. Even though the reader is unfamiliar with certain key words, an explanation of the most important ones will be given throughout the review. In order to establish a high level of validity, different sources for the same statement will be used. If contradictions occur during this process they will be pointed out and further analysed.

The measurement of the dependent variables, customer retention and product choice, will be analysed through the usage of an empirical study in form of a survey. This survey will include all relevant questions like: “How often do you use social media?”, “How important is a product review to you?” or “What would you consider as the indicator for becoming a

retention customer?”. In this context one has to mention that the survey has been created and analysed with the help of Google Tools. The distribution to potential respondents was executed via several social media platforms, for example, Facebook and LinkedIn, and also via e-mail. Further all questions asked within the survey were formulated according to Babbie’s (2013) guidelines for asking questions in surveys. This means most questions were closed-ended questions or statements with answer possibilities in form of multiple choice or checkboxes. In some cases respondents were able to fill in their own answer in case their answer was not given in the answer option list. The outcomes of the survey will be analysed crucially and depicted in diagrams and charts for the ease of understanding.

3. LITERATURE REVIEW

3.1 What is Social Media

Before analysing the numerical statistics of social media, it will be recalled what social media is. As explained before no specific definition exists, which is why a more general term is used. Internet-based applications build on the ideological and technological foundations of Web 2.0, while including the creation and exchange of User Generated Content. Nowadays social media is a widely used tool, to interact with each other but also to address a certain person or group. According to a study conducted by DiMauro & Bulmer (2014) 71% of the consumers regularly read social media sites as part of their information gathering routine. Companies on the other hand are already using social media by around 90% (Ghosh, Varshney & Venugopal, 2014). The range of the used social media is wide, however consumers tend to make greater use of television (53%), social media sites (41%) and listen to the radio (36%). Less popular are the classic newspapers with 20% (DiMauro & Bulmer, 2014). The usage of social media is still increasing and with it its importance. When going deeper into the field of social media and its users, differences become apparent. It was found that a difference between female and male in regard to using social media as information source exists. To be more specific, DiMauro & Bulmer (2014) mentioned in their study that “women are two times more likely to turn to social channels to inform their decisions about purchases than men (31% vs. 15%)”.

Now that some statistics regarding social media were named, the question that is still unanswered is: How does social media work and, how does one publish his/her opinion?

To answer this question the example of Facebook will be useful to give more specific insights. Facebook is one of the leading social media platforms with almost 1,5 billion users. These users are not only represented by consumers but also by companies and organizations. The most common way to indicate satisfaction with the company is via “Likes” or “Shares”. Both functions are directly shown on the company’s Facebook page. Nevertheless it is still possible to comment directly on the page and pose ones opinion. This is a useful tool for companies but also for individuals who are trying to get attention or want to publish opinions towards a certain topic. Companies not only level social media for digital advertising and promotions, but also to mine innovative ideas, to handle customer service issues and in this context engage with its customers (Smith, Fischer & Yongjian, 2012).

It is now known to what extend social media is used and what the most frequent used sources are. What is still unanswered

and will be examined in this study is, whether an actual impact from social media on product choice exists.

When it comes to companies using social media a clear model, developed by Hanna, Rohm, & Crittenden (2011), called the Social-Media-Ecosystem explains step by step what factors need to be taken into account to successfully manage social media. The model consists of five steps which will be briefly named and explained.

1. Visualize the ecosystem: Determining the extent to which media platforms interact by considering three types of media: owned, paid and earned. In order for companies or users to understand how to transmit a message five types of social influences are to be respected: Creators, Critics, Collectors, Joiners, and Spectators.

2. Identify and track key performance indicators: Combining brand affinity and sales conversion. An example for this combination could be how Facebook-likes and actual sales are correlated.

3. Begin with your story: A clear and specific story needs to be shared, which contains information of a product or service the company wishes to sell.

4. Social media does not require elaborate budgets: Due to the shift from traditional towards new media a low budget is sufficient, with the same amount of customers reached. The social network site Facebook has over one billion users, with the correct communication strategy companies are able to spread their message rapidly and very far-reaching.

5. Be unique: Due to social media platforms, companies are enabled to a customize their user engagement. This not only helps getting the attention of potential customers but also sets oneself apart from competitors.

Through this construct, the Social-Media-Ecosystem, companies are able to send out messages in a form that fulfills their goal, whether this includes reaching as many users/potential customers as possible or to justify a certain event in the company’s history.

3.2 The Value of Online Customer Reviews

Another important role next to social media plays the customer review. The purpose of these reviews is to provide additional information and add value for the prospective customer, as well as the product descriptions, reviews from experts and personalized advice generated by automated recommendation systems. This additional information includes user-oriented product information, honest evaluations of the advantages and weaknesses of a product (Wei & Lu, 2013).

Online customer reviews can be defined as peer-generated product evaluations posted on company or third party websites (Mudambi & Schuff, 2010). The customer reviews are considered a form of word of mouth communication and is now known as electronic word of mouth (e-WOM). E-WOM is defined 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” (Hennig-Thurau & Walsh, 2003). When comparing e-WOM to the traditional word of mouth communication, several advantages can be named: online customer reviews are fast, saveable, and anonymous; they also transcend time and space and can be received instantly (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004).

According to Zhu & Zhang (2010) an internet marketing-research company, found that 24% of internet users access online reviews prior to paying for a service delivered offline. Other statistics from an U.S.-based customer research firm (TARP) reveal that customers can spread their dissatisfaction twice as fast online as offline. Furthermore it was found that dissatisfied customers are four times more likely to formulate a review than satisfied customers (Lee & Hu, 2004).

Regarding the importance of online customer reviews a survey from the Opinion Research Corporation discovered that when it comes to a potential purchase of a product the consumer considers customer reviews as a valuable information source (Wei & Lu, 2013). According to Wei & Lu (2013) e-WOM is used by nearly two-thirds before purchasing a new product or service.

But how important are online customer reviews really? How high is the value of the gained information for the consumer in regard to their product choice?

3.3 How Social Media and Online Customer Reviews are linked to Customer Retention

Now that the independent variables (social media and online customer reviews) are explained, they need to be connected to the dependent variables, firstly customer retention. However before doing that, a short explanation of what customer retention is and how customers become loyal customers will be given.

In this empirical study a loyal customer is considered as so if a second purchase or more are made at the same company. The likelihood of someone becoming a loyal customer greatly depends on how satisfied the customer was with the previous purchase. This also includes factors other than the product itself (e.g. customer service, the company's reputation, the innovativeness, etc.). Ranaweera & Prabhu (2003) tested several hypotheses in regard to the retention customer and confirmed that satisfaction is the leading factor for customers to become a retention customer as well as the overall reputation.

Online customer reviews are used as a marketing tool not only to reach customers but also to keep current ones. Companies noticed the e-WOM as marketing tool and use it to take advantage (Dellarocas, 2003). Through regular posts of product information, sponsor promotional chats on online forums and encouraging consumers to spread the word about their products online, the products reach a far greater audience than before (Mayzlin, 2006). During this process and with the addition of positive customer reviews the overall reputation increases, which leads to conclude, according to Ranaweera & Prabhu (2003) that customers are more likely to become retention customers (Zhu & Zhang, 2010).

This would mean to achieve satisfaction a well handled social media program needs to be implemented. How social media should be handled especially in case of a dissatisfied customer can be explained with the help of an example.

Gaines-Ross (2010) states a fitting example in his article of "Reputation Warfare" of how social media should or should not be used. It is about avoiding the use of disproportionate force towards a certain problem. It is said that often companies with large resources have greater obligation than the "small" consumer. In his example three Greenpeace activists who climbed partway up the Time-Life building in Manhattan to protest against chlorine in its paper. The police had to come and broke an office window to haul the activists in. The affected

company did not issue any statements condemning the activists or, say, dismissing them as misguided, however a spokesman told the media that a taskforce is studying the effects of chlorine in regard to environmental and health risks. Through this statement a lot of sympathy for Greenpeace had vanished and the reputation of the company stayed intact. When dealing with a situation like this in the wrong way, it can worsen the situation instead of solving it. Gaines-Ross (2010) also gave an example where things were not handled as smoothly: It was about a Tweet from a customer which said: "Who said sleeping in a moldy apartment was bad for you? Horizon realty thinks it's okay". The company Horizon Group sued the person for \$50,000. Due to his suit, over a message that hardly anyone reads, Horizon made newspaper headlines and was criticised sharply. Later in a trial the judge threw out the claim and Horizon was left with a damaged reputation.

As seen in the example the way social media is handled greatly influences the customer satisfaction as well as the overall reputation. Due to the fact that especially satisfaction but also reputation play a key role when talking about potential retention customers, as explained by Ranaweera & Prabhu (2003), it is crucial to handle social media with caution and in an appropriate way to increase the chance of attracting loyal customers.

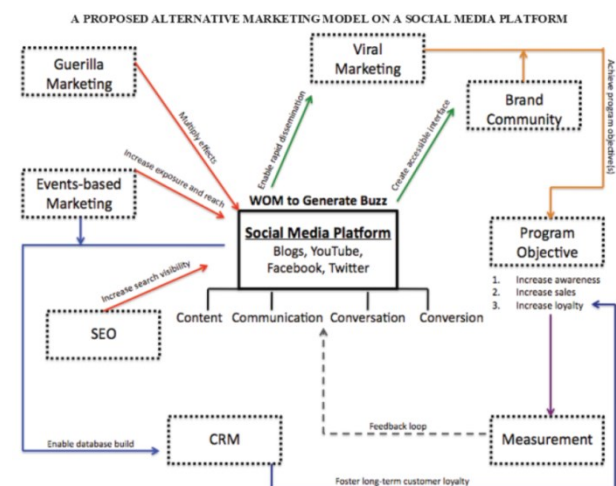


Figure 1. The Social Media Marketing Communication Model

The Social Media Marketing Communication Model presented by Castronovo & Huang (2012) illustrates the way social media but also WOM can lead to companies' objectives. These objectives may include reaching the customer but also the increase of customer loyalty.

The base, consisting of the social media platforms, is connecting several components such as customer relation management (CRM), viral marketing, etc., which interact also with each other. As shown in Figure 1 above, the word-of-mouth strategy provides the impulse for the model. The gathered information from the social media platforms (e.g. Facebook, Twitter, Instagram) enables companies to establish a database that contains all relevant information about the consumers. This knowledge combined with a detailed CRM strategy allows a personalized marketing strategy which can ultimately lead to a long-term customer loyalty. Social media platforms find their use also in viral marketing and brand community. In regard to viral marketing one can say that social media platforms provide a possibility to rapidly disseminate information to a majority of the public. On the other hand social

media can be used to create a unique consumer experience by offering an accessible interface. The outcome results in an increased brand affinity (Castronovo & Huang, 2012). Combining the beforehand mentioned components will most likely fulfil the desired objectives of the company, which may include customer retention.

Regarding the previously mentioned research question: “What is the impact of social media and online customer reviews on product choice and customer retention?”, we can come to several conclusions by using the gathered information of the literature.

It was presented that social media is a construct consisting of the Web 2.0 and User Generated Content. Furthermore through the model from Hanna, Rohm, & Crittenden (2011) called the Social-Media-Ecosystem a clear instruction of how social media should be used was given. However regarding the impact of social media DiMauro & Bulmer (2014) conducted a study to find, that social media has an impact and is widely used by consumers. Nevertheless it could not be explained by the literature itself how relevant the information retrieved from social media is to the consumers. Nor is there any literature trying to link social media with the possibility of customers becoming loyal customers.

Regarding the online customer reviews that are part of the research question, it was found that these online reviews are part of the more general term of e-WOM as the definition given by Hennig-Thurau & Walsh (2003) let’s to conclude. The importance of these online customer reviews was shown by Zhu & Zhang (2010) who conducted a study to reveal that a significant 75% of customers make use of online customer reviews prior to purchasing a product. The analysis of these results clearly shows that there is an impact from online customer reviews, still it leaves unanswered in what way customers are relying on these reviews. In addition it was not yet researched how this information, whether positive or negative experiences, influences customers’ potential of becoming loyal.

It was however shown by Castronovo & Huang (2012) through their model “The Social Media Marketing Communication Model” that social media as well as online customer reviews influence customers in becoming loyal. Ranaweera & Prabhu (2003) confirmed the hypothesis that satisfaction is the key factor of customers becoming loyal customers. This factor is crucial in order to connect online customer reviews to customer retention. As in the model by Castronovo & Huang (2012), social media forms the base it shows how social media can be used to distribute WOM messages and thus increases the potential number of retention customers. The Social Media Marketing Communication Model with its key connection to social media and WOM also affects the way in which companies choose their marketing strategy to achieve their corporate goal.

These findings lead to the variables with their relations towards each other, which for simplicity will be depicted in the figure below. The independent variables (circled red) and dependent variables (circled black) will be further analysed throughout the study.

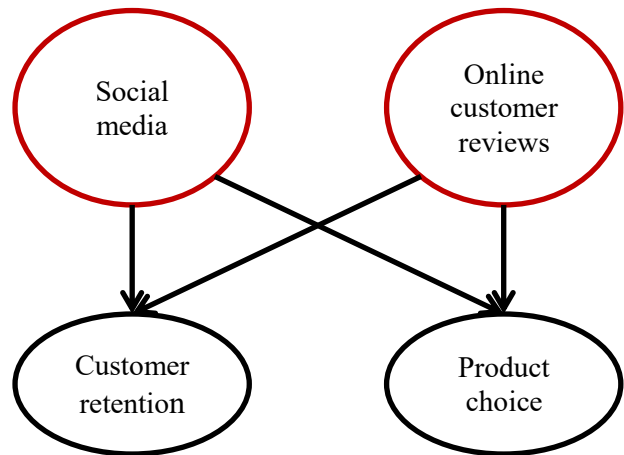


Figure 2. The influence of the independent variables (circled red) on the dependent variables (circled black)

4. RESULTS

4.1 Information about the Sample

In the following section the gathered data will be described as well as analysed regarding the main topic of social media and online customer reviews. As mentioned before the survey include 106 respondents, who answered multiple-choice as well as checkbox questions.

At the beginning questions regarding the sample itself were asked to get an insight of who is filling out the questionnaire. In this sample 47% female and 53% male respondents were present with an age range of 15 years to 61 years. The average age of the whole sample was 23,3 years old. Since the network of the University of Twente was used to find the respondents and the majority of students are Dutch and German, it was appropriate to point out these two nationalities with an addition of other EU- and Non-EU nationalities. As expected, due to the network of the University of Twente, the groups of Dutch and German were the largest with 33% and 42% respectively. Other EU countries were represented by 17% and non-EU countries, with the lowest representation, by 7,5%.

In order to find as many linkages between variables and the social influence factor as possible the marital status was included as well. In the context it needs to be mentioned that only groups above 5% are included, as only these are considered representative. Furthermore to simplify the analysis and reduce the number of variables, the variable of “married” will be added to “in a relationship” as everyone who is married automatically is also in a relationship. This leaves two main groups as “others” do not pass the 5% mark, namely “single” with 63% and “in a relationship” with 36%.

The next question the respondents had to answer was about their occupation. Here the same scheme is used, that all variables under 5% are considered as not representative. Through this rule “self-employed” (0%), “unemployed” (1,9%) as well as “other” (2,8%) are not further considered relevant. This leaves the two groups “students” (79%) and “employed” (16%). It was expected that “students” would be the largest group since mostly students could be addressed to fill out the survey.

The question of “what kind of social media platforms do you use on a regular basis?” should identify what social media platforms are used the most and what relevant platforms are when it comes to social media as a factor for product choice. The output of the survey showed clear results, Facebook is by far the most used social media platform. 97,2% of the respondents use Facebook on a regular basis, followed by YouTube with 84%. In comparison with the other social media platforms that could have been selected, Facebook and YouTube play a much more important role. To be more precise, Facebook and YouTube are more likely to reach users however through the gained information we cannot say whether these two platforms also have the biggest impact on e.g. the product choice. Unlike DiMauro & Bulmer (2014) I do not draw any linkages between the usage of a platform and its degree of impact when choosing a product. Regarding the other values of the platforms one can say that the lowest usage rate was represented by MySpace (2,8%) and Pinterest (9,4%). The above named variables with its values represent all information about the sample. In the following the answers to more specific questions with regard to the topic will be analysed and put into context with the information of the sample.

4.2 Social Media and its impact on Product Choice

Concerning the question of how many hours per week are spent on social media it was found that only one person of the respondents doesn't make use of social media weekly. In addition the output of the survey showed that the highest value of a respondent stated is 70 hours. However as depicted in the figure below the value of 70 was stated only once and does not correspondent with the other answers given by the rest of the respondents. This leads to the result that this value will be ignored in the further analysis. The second highest value stated was 40 hours which is more than twice the average of 18,1 hours. As can be seen in Figure 3 the majority of respondents make use of social media about 14 hours weekly. The results on “hours spend on social media weekly” should pose further evidence for the importance of social media. When looking more deeply into these findings no linkage between age or occupation and time spend on social media platforms can be found. Nor does the sex or marital status. Still the results lead to the important conclusion that all respondents but one can be further investigated in regard to the use of social media and its impact.

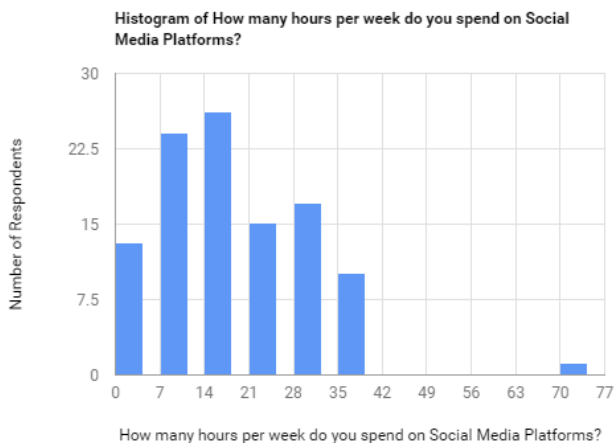


Figure 3. The hours spend on social media per week per respondent.

In the continuing analysis I want to answer the question whether there is an impact from social media on product choice and customer loyalty. In order to do so, it will be first shortly focused on the online customer reviews.

As the findings show, before buying a product or service over 95% of the users read an online customer review. That clearly shows the importance of online customer reviews, however it is still unknown how users get to these reviews. The next question in the survey helps to close the gap between the variables and gives information, to link certain factors.

The survey question was formulated in the following way: “When looking for customer reviews, which social media platforms do you use? As depicted in the graphic below the answer possibilities were: Retailing websites, Independent reviewing platforms, Video platforms, Personal and Other. The respondents were able to check as many possible answers as they thought applied to them. The result was that 88,1% of all respondents are using retailing websites like Amazon to view online customer reviews. Furthermore 73,3% make use of independent reviewing platforms as for example TripAdvisor. Slightly less than 50% (49,5%) are consulting social media platforms in form of video platforms. Figure 5. visualizes the above named percentages in a bar chart. This answers the question of, how users find customer reviews, as stated in the abstract before. It is represented by the survey that the most frequent method of retrieving customer reviews is via retailing websites. Nevertheless it should be kept in mind that also independent reviewing platforms have a significant percentage in retrieving customer reviews.

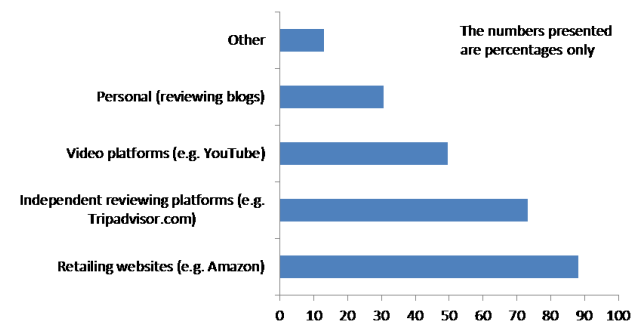


Figure 5. The social media platforms chosen when looking for customer reviews.

Since 95% of the respondents are using online customer reviews as information source before purchasing a product and of these 95%, 100% (101 respondents) are using a social media website to find customer reviews, one can say that social media has an impact on product choice. What is now crucial to find out is what social media platform is most relevant to the user? In order to do this I follow a top-down approach, meaning I will track the steps from a possible purchase back to the social media platforms. I assume that users only look at online customer reviews when considering a purchase. Therefore the question “When looking for customer reviews, which social media platforms do you use?” will help to identify which platforms are most important and relevant to the user, when choosing a product. It will not lead to an answer of one specific social media platform, but it will identify the pre-stage meaning the term under which the specific social media platforms operate. This would lead to conclude that, due to the fact that retailing websites like Amazon have the highest value (88,1%),

they have the highest relevance for customers when they choose a product.

4.3 The Chain from Social Media to Customer Retention

In the analysis before, it was already mentioned that online customer reviews are closely linked to social media. I will use this dependency to investigate the relationship between social media and customer retention. The output of the survey shows that 99,1% of the respondents are using social media on a regular basis. Further 97,2% make use of Facebook, from these 97,2% 67% are considering Amazon customer reviews as the site from which they retrieve online customer reviews. In comparison only 36,8% of the respondents who use Facebook as social media site, are visiting the company website for product information. When looking at respondents who selected YouTube as social media platform one can say that 84% of all respondents make use of YouTube whereas of these 84% 70,8% are using Amazon customer reviews as the site from which they retrieve online customer reviews. When comparing this number again against those who google the business it is found that only 41,6% of the respondents visit the company website for product information. The results show that whether the respondents are using Facebook or YouTube, they tend to use more often Amazon customer reviews as information source instead of the company's website. This shows the influence social media has on the distribution of online customer reviews. Depending on the rating of the company/product within the online customer reviews, the direct connection from online customer reviews to customer retention may influence the customers' loyalty. This connection between online customer reviews and customer loyalty will be examined in the following passage.

4.4 The Connection between Online Customer Reviews and Customer Retention

Within the survey several questions were asked regarding the effect of online customer reviews. Two of these questions were asked to analyse whether one's own experiences were neglected when reading different opinions in these reviews, when considering becoming a loyal customer. They were formulated in a broader way to include all factors a customer may consider when possibly becoming a loyal customer. The first question that will be analysed concentrated on a generally dissatisfied customer who read positive online customer reviews regarding the purchased product. It was asked how likely it would be for him to become a loyal customer in this scenario. The results of the survey indicate that the online customer reviews do not influence the consumer enough to change his opinion about the product. 71,3% were at least unlikely to become a loyal customer, while 16,8% felt indifferent to this scenario. Only about 11% considered becoming a loyal customer regardless of their dissatisfying experiences with the product. This clearly shows when oneself is having a dissatisfying experience of a product online customer reviews are not able to change the mind of the customer to become loyal. However in the scenario where the customer is satisfied with the product but the online customer reviews state a general dissatisfaction the result isn't as clear. It was found that 38,6% were likely to become loyal customers, although they had positive experiences. 32,7% of the respondents answered with "neutral" meaning they are probably not negatively or positively influenced by the reviews. Still,

there was a considered amount of respondents who stated they were unlikely of becoming a loyal customer (24,8%), even 4% said that they were very unlikely of becoming a loyal customer. When leaving out the respondents who felt indifferent or "neutral" about this scenario and combining the number of respondents who were "very unlikely" with "unlikely", the percentages do not give a clear result (38,6% against 28,8%). It is true that the more respondents would still become loyal but there is a significant amount that would follow the view of the online customer reviews. When comparing the two mentioned scenarios, one can say that negative experiences influence the possibility of becoming a loyal customer more strongly than the positive experiences.

In order to be more specific about certain factors, the customer service as well as the price/quality ratio of the product was included in the survey. Concerning the customer service one can say that when mentioned positively in online customer reviews it has a positive effect on becoming a loyal customer. 62,4%, the majority, stated that they would be likely to become a loyal customer, where on the other hand 18,9% were at least "unlikely" (this number already includes the respondents who stated that they were "very unlikely"). Neutral to this topic was selected by 14,9% of the respondents. The graphic below, Figure 6, depicts the numbers in a diagram to make the numbers easier to compare.

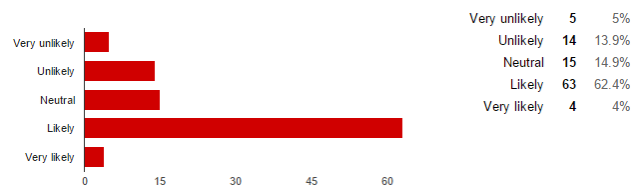


Figure 6. The likelihood of becoming a loyal customer when reading about a good customer service on online customer reviews.

Coming to the price/quality the results of the survey revealed a difference in the factors. The results are similar to the one in the previous questions however they stated an even clearer tendency. 63,4% chose "likely" when possibly becoming a loyal customer when reading about a good price/quality ratio. In addition to these 63,4% are 15,8% who stated that they were "very likely" of becoming loyal. This makes a total of 79,2% who are at least likely of becoming loyal, only 8,9% including those who are at least "unlikely" were against this motion.

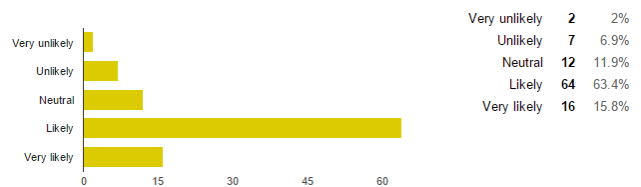


Figure 7. The likelihood of becoming a loyal customer when reading about a good price/quality ratio on online customer reviews.

These results show, when comparing the factor of customer service with price/quality ratio, that depending on that factor the influence on becoming a loyal customer is reduced or increased. As seen in this comparison the factor price/quality ratio is more important for the respondents and is therefore a reason why people would become loyal customers.

4.5 The Role of Online Customer Reviews when Choosing a Product

Regarding the importance of online customer reviews the respondents of the survey gave a consistent answer. 62,4% “agreed” that online customer reviews are very important when gathering information about a product. Another 24,8% “totally agreed” with the statement that online customer reviews are important when gathering information about a product. Only 2% of the respondents stated that they disagree with this motion. Whereas the rest of the respondents (10,9%) neither agreed nor disagreed. This outcome favours the argumentation that online customer reviews are considered as important when gathering information about a product. To further illustrate on this topic, it was also asked in the survey whether the company’s website is considered as very important when gathering information about a product. 46,5% agreed and 6,9% totally agreed with this statement, which is just above 50% of favouring responses. More than 20% were of the opinion that the company website does not provide important information when choosing a product. These numbers show that in comparison to the online customer reviews the company website is not considered as an equally important information provider when choosing a product.

In order to be able to further elaborate on the impact of online customer reviews on product choice it was asked within the survey to read a statement and rate it according to the personal opinion. The statement was phrased the following: Online customer reviews influence my product choice strongly. The results show that 5% of the respondents disagree with the statement and 17,8% neither agree nor disagree. This leaves over ¾ who believe that online customer reviews influence their product choice strongly. Concluding it can be said that regarding general online customer reviews a strong impact on product choice can be found. However other information sources also play a role when choosing a product like the company website, just not as strong as the online review.

Through the deep analysis of the survey, several conclusions can be drawn. First of all it is worth mentioning that all respondents except one make use of social media weekly. This information was relevant to sustain a high rate of respondents when asking about social media’s impact. As seen in the part of “social media and its impact on product choice” 95% of the respondents are using online customer reviews as information source before purchasing a product. As everyone who views online customer reviews is considered a potential customer and 100% of those who read online customer reviews are using a social media website to find customer reviews, it is clear that an indirect impact of social media on product choice exists. The same form of indirect impact is present when investigating the influence of social media on customer retention. Since social media greatly, in this case positively, influences the way consumers get access to online customer reviews they have a higher possibility of becoming a loyal customer exists. In this context one needs to mention that the survey discovered that online customer reviews are an essential part for customers when thinking about becoming a loyal customer. Their evaluation of the product/company increases/decreases the chances significantly as depicted in Figure 6 and 7. The last conclusion that can be drawn from the output of the survey is that when respondents were asked about the relevance of online customer reviews in regard to a product choice, they greatly

base their opinion on these reviews as 75% hold this opinion themselves.

5. CONCLUSION AND DISCUSSION

After analysing the literature regarding the topic and conducting a survey to investigate problems to which no literature could be found, several conclusions can be drawn as well as future research suggested.

Before going into the comparison of the outcome of the literature review and the results of the survey, the most important results and conclusions in each part will be stated.

With the help of the literature review it was found that regarding the topic, an impact of social media could be identified. The study of DiMauro & Bulmer (2014) provided the key literature regarding this issue. Concerning the online customer reviews it was found that they are part of a broader term called e-WOM as stated by Hennig-Thurau & Walsh (2003). Furthermore Zhu & Zhang (2010) identified the importance of online customer reviews as 75% of the consumers are making use of them. The customer retention could be analysed through the model by Castronovo & Huang (2012) “The Social Media Marketing Communication Model”, as it connects social media as well as WOM and gathers information about the customer. This information combined with a detailed CRM strategy allows for a personalized marketing strategy which can ultimately lead to long-term customer loyalty. The findings in the review made it possible to connect the independent and dependent variables with each other.

Regarding the problems that were discussed in this paper the survey provided information additionally to the literature to analyse issues that could not be answered by the literature alone. Although the impact of social media on product choice was difficult to measure as only indirect factors could be found, it was revealed that the impact of social media greatly influences customers in their decision. Online customer reviews on the other hand had a direct impact and were very important to the customers when purchasing a product. As mentioned in the paper 75% of the respondents form their opinion about a product with the help of online customer reviews.

The results of both analyses provide us with enough information to draw even more conclusions. As stated in the literature review by Lee & Hu (2004) dissatisfied customers are four times more likely to formulate an online customer review than satisfied customers. Furthermore the survey revealed that when customer read about general dissatisfaction about a product/company regardless of their experience they are far less likely to become loyal customers. This leads to the conclusion that negative e-WOM might influence the customer’s opinion more strongly than positive e-WOM. However this issue need to be further investigated in a different study.

Concerning limitation in this study on has to mention that the sample is mostly consisting of students from the University of Twente. The reason for that is that the distribution channels were mainly from the university itself. Another limitation would be that only a limited time frame to conduct this study was provided. With more time one could have gone deeper in the analysis and researched more possible relationships.

When comparing the literature with the results of the survey we found that unlike Zhu & Zhang (2010) who stated that 75% of the consumers make use of online customer reviews, that in our sample 95% are using these reviews. This difference could be a

result of the sample since mostly students (an average age of 23,3 years) were questioned and it is assumed that younger people are more likely to use e-WOM. Still, this assumption needs to be tested and put into context with the results given in this study. In addition, as the sample was limited to mostly students the results may differ when other consumer age groups are included.

The study also provides companies with important information. Due to the fact that the impact of social media and online customer reviews was identified, companies might recognize the importance of these factors. In future research it should therefore be analysed, how companies react to these findings presented in the paper. Do they change their marketing strategy or the way they address consumers? Even though these questions are still unanswered companies are able to become aware of the importance of social media and e-WOM.

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7. APPENDIX

7.1 Online Survey

What is your gender? *

Please choose one option.

- Female
- Male

How old are you? *

Please fill in the number.

What is your nationality? *

Please choose one option.

- Dutch
- German
- Other EEA Country
- Non-European Country

What is your marital status? *

Please choose one option.

- Single
- In a relationship
- Married
- Other

What is your current occupation? *

Please choose one option.

- Student
- Employed
- Self-employed
- Unemployed
- Other

What kind of Social Media Platforms do you use on a regular basis? *

On a regular basis means at least once a week. You can check more than one box.

- Facebook
- Twitter
- YouTube
- LinkedIn
- Myspace
- Instagram
- Pinterest
- Blogs
- Other

How many hours per week do you spend on Social Media Platforms? *

Please only fill in numbers. Tip: Think about your daily usage and multiply by 7.

Before buying a product or service, do you read online customer reviews? *

Please choose one option.

- Yes
- No

When looking for customer reviews, which social media platforms do you use? *

You can check more than one box.

- Retailing websites (e.g. Amazon)
- Independent reviewing platforms (e.g. Tripadvisor.com)
- Video platforms (e.g. YouTube)
- Personal (reviewing blogs)
- Other

Which review sites do you usually visit when looking for online customer reviews? *

You can check more than one box.

- Amazon customer reviews
- Yelp
- Google my business
- Yahoo!
- Facebook
- Twitter
- TripAdvisor
- Other:

Please read the following statements and rate them according to your personal opinion. *

Totally Disagree Disagree Neither Agree nor Disagree Agree Totally Agree

I consider online customer reviews as very important when gathering information about a product.

I consider professional online critics as very important when gathering information about a product.

I consider the company website as very important when gathering information about a product.

I often use customer reviews as an information source when choosing a product.

Online customer reviews influence my product choice strongly.

I would become a loyal customer when ... *

A loyal customer is someone who has made more than one purchase at the same company. Please choose one option.

Very unlikely Unlikely Neutral Likely Very likely

... reading about positive online customer reviews on customer service.

... reading about a good price/quality ratio of a product in online customer reviews.

... reading about general dissatisfaction about a product in online customer reviews while I had a positive

Very unlikely Unlikely Neutral Likely Very likely

product experience.

... reading about general satisfaction about a product in online customer reviews while I had a negative product experience.