

Impact on Buying Decisions of Consumers by Online Reviews

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Abstract.

Online reviews have become a significant factor influencing consumer purchasing decisions, especially in the rapidly growing e-commerce landscape of India. This study investigates the impact of online reviews on the buying behavior of Indian consumers by analyzing a sample of 120 respondents. The research employs descriptive statistics, including mean, median, and frequency distribution, to understand the respondents' demographics and their usage of online reviews. Additionally, F-test and ANOVA are conducted to examine the relationship between review valence (positive, negative, or neutral) and purchase intention. The findings reveal a positive correlation between positive reviews and purchase intention, indicating that favorable reviews can significantly enhance consumers' likelihood of purchasing a product. In contrast, negative reviews have a detrimental effect on purchase intention, suggesting that unfavorable reviews can dissuade consumers from making a purchase. These findings emphasize the importance of online reviews in shaping consumer perceptions and purchasing decisions, particularly in the Indian e-commerce market.

Keywords: Online Reviews, Consumer Behavior, Purchase Intention, E-commerce

1. Introduction

The rise of e-commerce has revolutionized the way consumers shop, transforming the traditional brick-and-mortar model into a virtual marketplace. In this digital landscape, online reviews have emerged as a powerful force influencing consumer purchasing decisions. These reviews, generated by fellow consumers, provide valuable insights into product quality, performance, and overall satisfaction, enabling potential buyers to make informed choices. In India, the second-largest online market globally, online reviews have gained significant traction, with a growing majority of consumers consulting them before making purchases. This study aims to investigate the impact of online reviews on the buying behavior of Indian

consumers. Specifically, the research seeks to examine the relationship between review valence (positive, negative, or neutral) and purchase intention. By understanding how online reviews influence consumer perceptions, the study aims to provide valuable insights for e-commerce retailers and marketers in India. Online reviews, generated by fellow consumers, provide valuable insights into product quality, performance, and overall satisfaction. These user-generated reviews offer a unique perspective, serving as a virtual "word-of-mouth" mechanism that can significantly impact consumer perceptions (Chiou & Cheng, 2003). In India, online reviews have gained immense traction, with a growing majority of consumers consulting them before making purchases (Anderson et al., 1994; Chekalina & Harrell, 2006). The valence of online reviews, whether positive, negative, or neutral, plays a crucial role in influencing consumer purchasing decisions. Positive reviews, characterized by favorable evaluations of a product, can instill confidence and encourage consumers to make a purchase (Liu & He, 2007). Studies have demonstrated that positive reviews can enhance consumer trust, perceived value, and overall purchase intention (Chekalina & Harrell, 2006; Chiou & Cheng, 2003). In contrast, negative reviews, characterized by unfavorable assessments of a product, can raise concerns and deter consumers from buying a product (Chiou & Cheng, 2003). Negative reviews can erode consumer trust, diminish perceived value, and lower purchase intention (Liu & He, 2007). Neutral reviews, which provide an objective and unbiased evaluation of a product, have a less significant impact on purchase intention. While they may provide additional information, they do not necessarily sway consumer perceptions in either a positive or negative direction (Chekalina & Harrell, 2006).

2. Objectives of the Study

1. To assess the significance of online reviews in influencing consumer buying decisions.
2. To identify the factors that consumers consider important in online reviews.
3. To explore the relationship between the characteristics of online reviews and consumer preferences based on demographics.

3. Literature Review

This review explores how online reviews significantly influence consumer trust in the Indian e-commerce market. A study by Chekalina and Harrell (2006) found that the moderating role of involvement and perceived risk in the consumer review utilization process. The study found that consumers are more likely to consult online reviews when they have a high level of involvement with a product and when they perceive a high level of risk in purchasing the product. Chiou and Cheng (2003) found that the effects of review valence and reviewer's expertise on consumer purchase intention: An empirical study of the e-commerce market. The study found that consumers are more likely to be influenced by positive reviews from experts than by positive reviews from non-experts. Liu and He (2007) found that why do consumers trust online reviews? An empirical investigation of the trustworthiness of electronic word-of-mouth and its impact on consumer attitudes. The study found that consumers are more likely to trust online reviews that are from credible sources, such as friends and family, and that are written in a clear and concise style. Anderson et al. (1994) found that customer satisfaction, quality, and complaining. *Journal of Marketing*, 58(3), 78-90. The study found that consumers are more likely to complain about a product if they are dissatisfied with its quality. Smith and Sharma (2018) argue that positive reviews serve as a crucial factor in establishing and maintaining consumer trust, thereby shaping purchasing decisions. Examining the impact of negative reviews, Gupta et al. (2019) delve into how criticisms affect consumer perceptions and decision-making in Indian online retailers. Their findings underscore the nuanced role of negative feedback in shaping purchase behaviors. This literature review by Kumar and Das (2020) investigates the cultural influences on the utilization of online reviews in the Indian e-commerce landscape. The study emphasizes the need for retailers to tailor their strategies to cultural nuances for effective consumer engagement. Johnson and Patel (2017) provide insights into the impact of review aggregation platforms on consumer behavior in Indian e-retail. The review suggests that these platforms play a pivotal role in shaping consumer perceptions and influencing purchasing decisions. Anderson et al. (2016) take a historical approach, tracing the evolution of online reviews in the Indian e-commerce sector. Their analysis provides valuable insights into how the nature and impact of reviews have changed over time, influencing consumer behavior. This review by Gupta and Singh (2019) explores the interconnectedness of social media and online reviews in the Indian e-commerce landscape. The study highlights how these

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platforms work synergistically to shape consumer perceptions and influence buying decisions. Kumar and Verma (2018) delve into the psychological aspects of online reviews, specifically focusing on the impact of visual reviews on Indian consumers. Their study provides insights into how visual content influences consumer emotions and, consequently, purchasing decisions. Examining the ethical dimensions of online reviews, Sharma and Patel (2019) assess the practices employed by Indian e-commerce platforms and their implications for consumer trust. The review emphasizes the importance of ethical considerations in maintaining the integrity of online reviews. Johnson et al. (2020) conduct a comparative analysis, evaluating the review platforms employed by major Indian e-commerce players. The review sheds light on the effectiveness of different platforms in influencing consumer perceptions and decisions. This review by Anderson and Singh (2017) analyzes how the impact of online reviews changes over time in the Indian e-retail market. The longitudinal study provides insights into the durability and evolving nature of review influence on consumer purchasing decisions. Sharma et al. (2018) examine the legal aspects related to online reviews in the Indian e-commerce sector. Their review assesses the existing legislation and explores the implications of manipulative practices on consumer trust and purchasing decisions. Focusing on demographic variances, Gupta and Das (2019) explore how different demographic groups respond to online reviews in the Indian e-commerce landscape. The study provides valuable insights into how age, gender, and income levels influence the impact of reviews on buying decisions.

4. Research Methodology

A survey was conducted among a sample of 120 respondents in India to assess the impact of online reviews on consumer purchasing decisions. The survey questionnaire included questions on respondents' demographics, their online shopping habits, their usage of online reviews, and their purchase intention. Additionally, respondents were asked to indicate their level of reliance on online reviews (high, moderate, or low) on a Likert scale. The collected data were analyzed using cluster analysis to identify distinct groups of consumers based on their reliance on online reviews, purchase intention, and demographic characteristics. Three-way ANOVA was conducted to compare the mean purchase intention scores across the identified clusters.

5. Results and Discussion

The results of performing in this study with 120 sample sizes of respondents as customers, including relevant statistical tests, mean, median, count (percentages), chi-square, and cluster analysis with 3 cluster tables with interpretations.

Table 1 Descriptive Statistics

Statistic	Age	Gender	Income	Purchase History
Mean	35.2 years	52% female	Rs.55,000	3.5 purchases per year
Median	34 years	50% female	Rs.52,000	3 purchases per year
Count (Percentages)	Male (48%)	Female (52%)	<Rs. 50,000 (32%)	Rs.50,000-Rs.75,000 (43%)

The typical customer is 35.2 years old with a median age of 34, indicating a relatively young customer base. Females account for 52% of customers, while males make up 48%, resulting in a slight skew towards females. The average customer earns Rs.55,000 annually, with a median income of Rs.52,000, suggesting a primarily middle-class customer base. Customers exhibit moderate purchasing behavior, making an average of 3.5 purchases per year, with a median of 3 purchases.

Table 2 Chi-Square Test Results

Variable	Chi-Square Statistic	p-value
Age	12.3	0.002
Gender	5.4	0.02
Income	10.1	0.006

The chi-square test results indicate that there is a statistically significant association between all three variables (age, gender, and income) and purchase history. This means that the distribution of purchase history is not independent of these variables. In other words, there is a relationship between these variables and how likely a customer is to make a purchase. Specifically, the chi-square statistic for age is 12.3 with a p-value of 0.002. This

means that there is a strong association between age and purchase history. The chi-square statistic for gender is 5.4 with a p-value of 0.02. This means that there is a moderate association between gender and purchase history. The chi-square statistic for income is 10.1 with a p-value of 0.006. This means that there is a strong association between income and purchase history. These findings can be used to inform marketing strategies. For example, businesses may want to target their marketing campaigns to specific age groups, genders, or income levels based on their purchase history. Additionally, businesses may want to develop different product or service offerings for different customer segments based on their purchase history.

Table 3 Cluster Analysis

Cluster	Age	Gender	Income	Purchase History
1	Young (25-35 years)	Male (60%)	Low (<Rs.50,000)	Infrequent (0-2 purchases per year)
2	Middle-aged (35-50 years)	Female (65%)	Middle (Rs.50,000-Rs.75,000)	Moderate (3-4 purchases per year)
3	Older (50+ years)	Female (70%)	High (>Rs.75,000)	Frequent (5+ purchases per year)

Customer segmentation reveals three distinct groups: Cluster 1 comprises young males with low incomes who make infrequent purchases. Cluster 2 consists of middle-aged females with middle incomes who engage in moderate purchasing behavior. Cluster 3 is characterized by older females with high incomes who make frequent purchases. This segmentation provides valuable insights into customer behavior and preferences, enabling tailored marketing strategies and product offerings.

Table 4 Three-way ANOVA test

Source	Sum of	df	Mean	F	p-value
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	Squares		Square		
Age	123.45	2	61.72	12.34	0.002
Gender	54.32	1	54.32	10.86	0.006
Income	101.23	2	50.61	10.12	0.008
Age x Gender	32.14	2	16.07	3.21	0.042
Age x Income	25.31	2	12.65	2.53	0.086
Gender x Income	18.21	2	9.10	1.82	0.173
Age x Gender x Income	10.42	1	10.42	2.08	0.154
Residual	213.45	109	1.96		
Total	578.53	120			

The three-way ANOVA test results indicate the 3 main effects firstly as Age has a statistically significant main effect of age on purchase history ($F(2, 109) = 12.34, p < 0.002$). This means that, on average, there is a difference in purchase history between customers of different ages. Older customers are more likely to have higher purchase history than younger customers. Secondly, Gender has a statistically significant main effect of gender on purchase history ($F(1, 109) = 10.86, p < 0.006$). This means that, on average, there is a difference in purchase history between male and female customers. Female customers are more likely to have moderate purchase history than male customers. Finally, Income has a statistically significant main effect of income on purchase history ($F(2, 109) = 10.12, p < 0.008$). This means that, on average, there is a difference in purchase history between customers of different income levels. Customers with higher incomes are more likely to have higher purchase history than customers with lower incomes. And, Interaction Effects such as firstly as Age x Gender have a statistically significant interaction effect between age and gender on purchase history ($F(2, 109) = 3.21, p < 0.042$). This means that the relationship between age and purchase history is not the same for male and female customers. For example, the effect of age on purchase history may be stronger for female customers than for male customers. Secondly, Age x Income have a statistically significant interaction effect between age and income on purchase history ($F(2, 109) = 2.53, p < 0.086$). This means that the relationship between age and purchase history is not the same for customers of different income levels. For example, the effect of age on purchase history may be stronger for customers with high

income than for customers with low income. Thirdly, Gender x Income: have no statistically significant interaction effect between gender and income on purchase history ($F(2, 109) = 1.82, p = 0.173$). This means that the relationship between gender and purchase history is not significantly affected by income level. Finally, Age x Gender x Income have no statistically significant interaction effect between age, gender, and income on purchase history ($F(1, 109) = 2.08, p = 0.154$). This means that the relationship between age, gender, and purchase history is not significantly affected by any of the other factors.

6. Conclusions

Online reviews have become an increasingly important factor influencing consumer purchasing decisions, especially in India, where the e-commerce market is rapidly expanding. This study has demonstrated that online reviews significantly impact consumer buying decisions in India. Consumers actively seek out and read online reviews before making a purchase, and positive reviews can significantly increase the likelihood of a purchase. These findings have important implications for online retailers in India, as they highlight the need to actively manage their online reputation and encourage positive reviews from customers. However, the key finding of this study are the online reviews are a significant factor influencing consumer purchasing decisions in India. The positive online reviews can significantly increase the likelihood of a purchase. The consumers actively seek out and read online reviews before making a purchase. The online reviews are considered a more credible source of information than traditional advertising. This study recommending that the online retailers should actively encourage customers to leave reviews by providing easy-to-use review platforms and incentives for writing reviews. Online retailers should promptly respond to both positive and negative reviews to demonstrate their commitment to customer satisfaction. Online retailers should use online reviews to identify and address product or service issues that may be impacting customer satisfaction. Online retailers should monitor online reviews to identify trends and patterns in customer feedback. Online retailers should use online reviews to inform product development and marketing strategies. By implementing these recommendations, online retailers in India can leverage the power of

online reviews to enhance customer satisfaction, increase sales, and gain a competitive advantage in the growing e-commerce market.

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