

EWOM AS A DRIVER OF E-BUSINESS FOR SMES: A CONCEPTUAL MODEL PROPOSAL

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Abstract - This study is aimed to analyze and determine a conceptual model proposal that relates electronic word of mouth (eWOM) with electronic business innovation model (eBIM). The importance of this study are the practical consequences for the SMEs in digital environment that need to measure the opinion of their clients for making decisions in their eBusiness models and how to get an improvement of their own performance

Keywords - eWOM, eBusiness, eBusiness Innovation Model, Small and Media Size Enterprises, SMEs, Conceptual Model

I. INTRODUCTION

According OECD [1], par.146, innovation is: “the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations”. Innovation is an aspect of business strategy, or part of the set of investment decisions to create capacity for product development or to improve efficiency. It can create competitive advantages by repositioning production or output in the value chain (ibidem, par. 80). In this sense, e-Business is also defined as the integral practice of planning actions to address the market with strategy and tactics to use e-Business tools for achieving goal settings aligned with the mission & vision of the firm. All of them, to transfer a value proposition to the customer, with performance and profitability monitoring. This concept, for the small and media size enterprises (SMEs) requires to involve tools, such as e-Media (e.g. Internet cloud, mobile), e-Marketing (promotion of products and/or services, capture and retention of the customer), and e-Commerce (transaction of a requirement of products and/or services with a payment) to be applied in different types of business: C2C (Consumer-to-Consumer), C2B (Consumer-to-Business); C2G (Consumer-to-Government); B2C (Business-to-Consumer); B2B (Business-to-Business); B2G (Business-to-Government); G2C (Government-to-Consumer); G2B (Government-to-Business); G2G (Government-to-Government) [2]. The practice of e-Business offers to the firms a serial of tools to increase the competitiveness, in addition to the aforementioned, such as: e-customer relationship management (e-CRM), e-Enterprise Resource Planning (e-ERP); e-Sourcing Capability Model (e-SCM); e-Procurement; e-Supplier Relationship Management (e-SRM) and e-Security (e-SEC), amongst others. All of these items, increasing productivity, value added services, global competitiveness and sustainable development [3]. Hence, we consider the Business Innovation Model (eBIM) [2] as the most appropriate to be implemented

as a design, aligned with the performance of the (SMEs).

By other hand, we have the traditional word-of-mouth (WOM), which was originally defined as an oral form of interpersonal non-commercial communication among acquaintances [4] and that it has evolved into a new form of communication, namely electronic word-of-mouth (eWOM) communication with positive or negative statements made by potential, actual, and former customers about a product or a company via Internet [5]. The advances of the Internet offer a fertile ground (eWOM) communication, as a part of digital marketing tool incorporated in the eBIM [2]. However, the scope of published studies around the impact of eWOM communication is rather broad, and the studies appear relatively fragmented and inconclusive. Therefore, this study is aimed to propose a conceptual model to determine how the eWOM is related with the eBIM to improve the performance of the SMEs.

II. THEORETICAL FRAMEWORK

2.1. eBusiness Innovation Model (eBIM)

We have to understand that business innovation, is: “an organization's process for introducing new ideas, workflows, methodologies, services or products” [2] With the introduction of all e-media (internet, cloud, mobile) technology the e-Business innovation here, shall be as [ibidem]: “the integral practice of planning actions to address the market with strategy (e-marketing, e-commerce, e-customer relationship, e-resourcing planning, e-supply chain management, e-procurement, e-supplier management and e-security) and tactics for achieving goal settings aligned with the mission & vision of the firm. All of them, to transfer a value proposition to the customer, with performance and profitability monitoring. This concept requires to involve tools, such as e-media (e.g. Internet cloud, mobile), e-marketing (promotion of products and/or services, capture and retention of the customer), and e-commerce (transaction of a requirement of products and/or services with a payment) to be applied in different types of business:

C2C; C2B; C2G; B2C;B2B;B2G; G2C; G2B; G2G”, see Figure 1, with all the elements of eBIM:

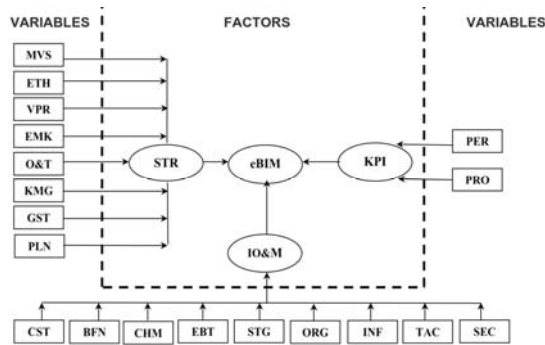


Figure 1. eBIM, (please, for more details see [2])

Notes: Mission Vision & Values (MVS); Ethics (ETH); Value Proposition (VPR); e- Marketing tools (EMK); Opportunities & Threats (O&T); Knowledge Management (KMG); Goal Settings (GST); Planning (PLN); Cost Structure (CST); Business Functionalities (BFN); Change Management (CHM); e-Business Tools (EBT); Strategy (STG); e-Human Resources (ORG); Infrastructure Management (INF); Tactics (TAC); Security (SEC); Profitability (PRO); Performance (PER); Strategy Factor (STR); Implementation, Operation & Maintenance Factor (IO&M); Key Performance Indicators Factor (KPI); Electronic Business Innovation Model (eBIM).

2.2. electronic Word of MouthScale Model (eWOM)

A review of studies on WOM reveals a small number of works dedicated to WOM measurement, despite its existence for many years, researchers and managers are still interested in it because it is an important driver for eBusiness. Here, we selected for this study the eWOM scale model [4] as it shows in Figure 2:

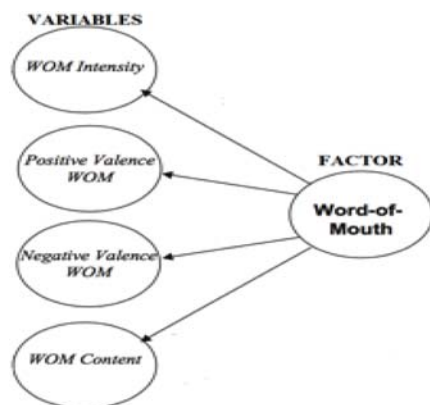


Figure 2. The eWOM scale model (please, for more details see [4])

Where the variables and indicators involved in the eWOM scale model, are as shown in Table 1:

WOM Intensity

-I spoke of this company much more frequently than about any other e-services company.

-I spoke of this company much more frequently than about companies of any other type.

-I spoke of this company to many individuals.

Positive Valence WOM

-I recommended this company

-I speak of this company’s good sides. □

-I am proud to say to others that I am this company’s customer. □

-I strongly recommend people buy products online from this company.

-I mostly say positive things to others. □

-I have spoken favourably of this company to others.

Negative Valence WOM

-I mostly say negative things to others

-I have spoken unflatteringly of this company to others.

WOM Content

-I discuss the user-friendliness of its website.

-I discuss security of transactions and its Internet site.

-I discuss the prices of products offered.

-I discuss the variety of the products offered.

-I discuss the quality of the products offered

-I discuss ease of transactions.

-I speak of the rapid delivery

-I speak of the company’s notoriety.

Table 1. The eWOM scale indicators model (please, for more details see [6])

2.3. electronic Word of Mouth Effectiveness Model (eWOM)

Finally, a third model involved here is based over traditional communication theory, with four major elements in social communication, including the communicator (sender), the stimulus (message), the receiver, and the response updated to the eWOM environment as a new form of communication between a receiver and a sender [6]. See Figure 3.

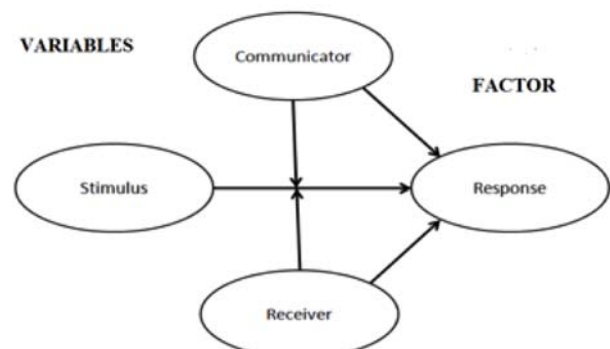


Figure 3. eWOM effectiveness model (please, for more details see [6])

Hence, the variables and indicators involved in the eWOM effectiveness model, are as shown in Table 2:

Stimulus

Argument Quality; Disconfirming Information; eWOM Review Credibility; Argument Strength; Recommendation Framing (Valence);

Recommendation Consistency; Recommendation Sidedness; Recommendation Rating; Length Review; Number of Review; Review Type; Visual Cues; Dispersion

Communicator

Source Credibility; Attractiveness; Disclosure of Identity; Shared Geographic Location; Social Tie; Homophily

Response

Attitude; Information Adoption; Trust; Purchase Intention; Awareness; Loyalty; Choice; Usefulness; Social Presence; Helpfulness; Preference of Information Source

Receiver

Confirmation with Prior Belief; Prior Knowledge; - Involvement; Focused Search; Gender; Consumer Skepticism; Social Tie; Homophily; Cognitive Personalization.

Table 2. The eWOM effectiveness indicators model (please, for more details see [6])

III. RESULTS AND DISCUSSION

3.1. The conceptual model proposal

It is determined by superposition of the previous analyzed models: electronic Business Innovation model (eBIM) [2], the eWOM Scale Model [4], and the eWOM Effectiveness Model [6] as shows in Figure 4.

The design of this proposal model can explain the relationship of how the eBIM would be influenced by the eWOM phenomenon. For instance, how the e-marketing tools (EMK) as a part of the strategy (STG) (from the eBIM model) would be influenced by the WOM Intensity and/or Positive/Negative Valence WOM and/or Content WOM? (from the eWOM scale model). Complementing these questions, would be proved the eWOM effectiveness asking in different individual levels, such as: what effectiveness does exist among the response and/or stimulus level or communicator/receiver level involved (from eWOM effectiveness model?).

Furthermore, the expected impact about the implementation of this conceptual model is huge, due the real needs of the SMEs based on different eBIM elements, to be improved under their own consumers opinion in a very straight, affordable and cheaply way. We can remark the value of the three models into the construct of the conceptual model proposal, for the SME, according the following description:

-The eBIM (eBusiness Innovation model) [2]. This is the implicit designing and planning factor that includes, the strategy (STR) variable, involving: the mission, vision & values (MVS), the ethics (ETH), the value proposition, the e-marketing tools (EMK), the opportunities and threats (O&T) of the e-Business environment, the practices of knowledge management

(KMG), the goal settings (GST) and the planning (PLN). The implementation, operation & maintenance variable (IO&M). This is the implicit implementing factor, as the effectiveness of the operational part of the SME, that includes: cost structure (CST); business functionalities (BFN); change management (CHM); e-Business tools (EBT); strategy (STG); e-Human resources (ORG); infrastructure management (INF); tactics (TAC); security (SEC). Finally, the key performance indicators, based on: performance (PER) and profitability (PRO). The first one is a practical indicator and the other one is the financial indicator, regulating the performance of all the eBIM construct. But, how to drive all these factors and variables, depending exclusively, of the opinion of their consumers, straight, affordable and cheaply way? . The answer is the eWOM.

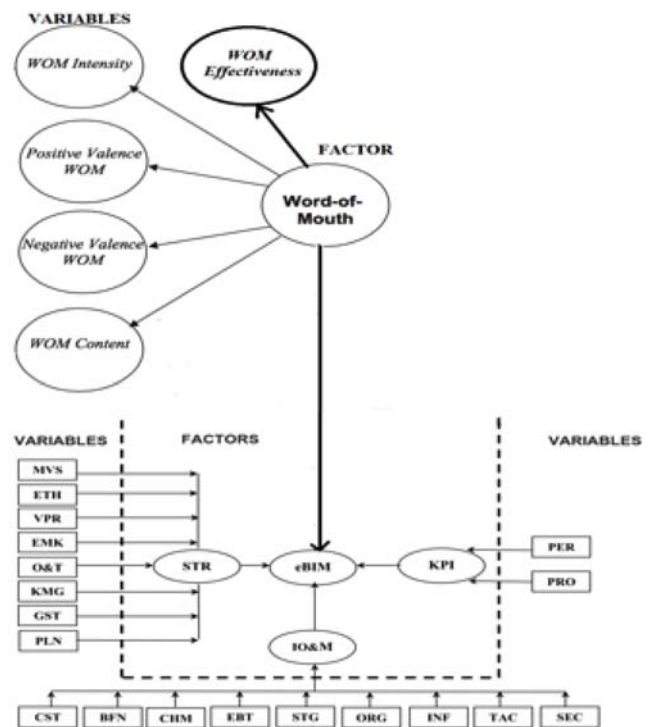


Figure 4. The final conceptual model proposal

2. The eWOM scale model [4]. Due the strategic importance of eWOM as a communication medium for an organization no longer has to be proven. Paradoxically, companies have very little, if any control over its reach or content. A company is dependent on the message that will be communicated by its consumers and others with whom it has never had and never will have any contact. The virtual environment and its global scope only increase the power of eWOM, consequently, the level of dependence of the SMEs eBIM in question. There are several companies that owe their existence and growth only to eWOM aimed to eBIM. It is difficult to imagine how much these online companies would have had to invest in conventional communications media to achieve the same result. Although these online companies rarely have the means to control

their members' and nonmembers', thanks to the eWOM scale model, they now have the opportunity to measure its impact and to make the necessary adjustments in their eBIM. This scale fills void whereby an organization is now able to assess how its brand and products are communicated through eWOM. It enables the organization to measure what is being said about it (content), the scope of what is being said (intensity), and the costumers attitude towards the organization (positive or negative valence). The company will then have the capability to see if, for instance, the valence being expressed is compatible with the content or if the intensity correlates with the valence or the content. In the event that the results observed are not the results sought by management, managers will be able to retarget the market.

3.-The eWOM effectiveness model [6]. The scope around this part of the entire construct, is based only in an individual level study. In this sense, the active opinion of the individuals represent the main motor of our proposal conceptual model. But there is not the only source. From our preliminary review, there exists a significant amount of studies focused on company eWOM: strategies, messages, and sales. These studies adopted a very different theoreticalresearch approach in examining the eWOM phenomenon. In this sense, we believe that there exists some other levels in eWOM studies, such as: product class, industry, strategy, values and else. Future studies of eWOM effectiveness should expand the literature analysis and classified prior studies based on their level of analysis.

CONCLUSIONS

This line of research is still emerging. Because of a limited number of empirical studies relating the eWOM with the eBIM, we were not able to perform a quantitative meta-analysis, strongly recommended in the future, so as to improve our understanding on the relative impacts of the three factors involved in our

conceptual model proposal for the SMEs: the eWOM scale model, the eWOM effectiveness model and the eBusiness Innovation Model (eBIM). However, this new model, reveals an expected huge impact for making decisions to improve the performance of the SMEs based on their own consumers opinion in a very straigth, affordable and cheaply way.

To conclude, this study stablishes the first insights to analyze the factibility to combine and converge different models of digital business issues. Furthermore, we present a conceptual framework and identify the key variables and factors of each of the three models. We believe that this study stimulates future research on eWOM and eBIM by drawing attention to the variables, factors and relationships that need further investigation.

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