Young Customers' Perception on Influencer Endorsement, Customer Review and E-tailing Channel

Diena Dwidienawati[1], Sri Bramantoro Abdinagoro[2], Dyah Gandasari[3], Nadira[4]
[1]Bina Nusantara University, Indonesia, diena.tjiptadi@gmail.com
[2] Bina Nusantara University, Indonesia, abdinagoro@yahoo.com
[3]POLBANGTAN BOGOR, Indonesia, dyah_gandasari@yahoo.com
[4] Bina Nusantara University, Indonesia, dhyrahardi@gmail.com

ABSTRACT

Online shopping trend is increasing significantly in these years. Customers' decision on online purchase still is influenced by how confident they are in making purchase decision. Influencer endorsement is a hot concept in marketing; however, scholars argue there is only little evident on how influencer endorsement can improve performance. On the other hand, customer reviews are considered as effective in influencing customers' decision. Where customers buy is also an interesting topic. Studies on B2C e-marketplace are still limited. This study aims to see young customers' perception about influencer endorsement, customer review and e-tailing channel. A qualitative study was conducted to 55 respondents from Jakarta and Bogor. To further understand their opinions, interview was conducted to 10 of respondents. The finding of the study are young customers believe in customer review rather than influencer endorsement. They prefer to shop in e-marketplace compared to company owned website. This study contributes to the literature of customer review, influencer marketing and e-marketplace.

Key words: Customer review, influencer endorsement, e-tailing channel

1. INTRODUCTION

Online shopping trend is increasing in these years. In the US the share of e-commerce in 2019 is 11.1% from 5.8% in 2013 [1]. It will still be expected to increase to 13.7% in 2021. In Indonesia the share of e-commerce to total retail is only 3% [2]. Considering the preference of young customer, e-commerce sector in Indonesia is expected to grow significantly.

Presence online is now a must trend for the company. Companies try hard to reach and influence young customers to purchase their products. They spend a lot of budget for digital marketing activities. Understanding how young customers make decision and what e-tailing channel they prefer, will be crucial for the success of online marketing activity.

One of the most important factors on how customers make decision on online shopping is informativeness (Lou, 2002 in [3]). The online customers like to gather rich useful information and compare before considering purchasing the products (Aladwani and Palvia, 2002 in [3]). Influencer and customer reviews are considered as good sources of information.

Influencers have a high number of followers. With that, the messages spread by influencers will be able to create a large reach which might lead to increase WOM [4]. However, there are still limited scholarly research on the impact of influencer on whether they can actually improve performance [5], [6]. Recent research on emails finds that highly connected people do not necessarily produce a viral cascade. Another study on Twitter shows similar result that influencers are only slightly more likely to produce viral chains [5]. Cha et al (2010) in [4] show that being popular does not imply that influencers can produce many retweets.

On the other hand, customer reviews are considered as an important factor which can influence customer decision. Customer reviews provide information such as product description, product review and recommendation [7]. Customer reviews have improved customer perception, attract customer visit and spend more time [7]. Customer reviews can help customer to be more confident, easier and better in making purchase decision [7]. Customer reviews are considered more genuine and trustworthy compared to influencer reviews.

Being trustworthy is also an important factor for customers to decide where to shop online. E-marketplaces have shown to be effective and efficient e-tailing channel for customers. They provide product information to customer [3]; reduce customer search cost, provide more options and update customer with real-time inventory listing [8]; manage their transaction and track their shopping progress [8].

Research questions of this study are:
1. How do the young customers perceive customer reviews?
2. How do the young customers perceive influencer review?
3. Which one is their preference e-tailing channel?

2. LITERATURE REVIEW

2.1. Influencer

One of the most important factors on how customer makes decision on online shopping is informativeness (Lou, 2002 in [3]). Young people tend to learn and teaching from their mobile [9]. The online customers like to gather rich useful information and to compare before considering purchasing the product (Aladwani and Palvia, 2002 in [3]). Influencer is considered as a good source of information.

Influencers are people at the forefront of social trends. They could be innovators or early adopters. They are the ones who discover the trends before someone else and spread them into the social medium [10]. Influencers are also described as social media personalities who are effective in spreading messages about products and services and starting and popularizing new trend (Dewey, 2014 in [6]). They are individuals who become famous via their presence in social media (Khamis et al in [6]). Influencers are individuals that have influence over prospective buyers [11].

Considering pre-purchase behaviour from online customers and potential impact that influencers have, it is not surprising that marketers like the idea of 'influentials'. Satell (2014) state that the result of a recent study mentions that 74% of 1300 marketers planned to invest in influencers over the next 12 months. Influencers have become a hottest concept. Advertising using influencer has become important activities in digital marketing [12]. Deploying influencer has become an important element of marketing campaigns [4]. Marketing Dive study states that 41% marketers claimed that influencer campaigns are more successful than traditional ones [10]. Social networking is considered the most important marketing tools to reach, understand and communicate with customers [13].

Jin et al. (2019). state that the key success factor of influencer is credibility. Since social media marketing built upon interacting with brands and peers-customers, genuine review and looking at real experience are important. It might help to build trust, enjoyment and intention to shop [6].

A high number of followers will be able to create a large reach which might lead to increase WOM [4]. However, there are still limited scholarly research on the impact of influencer whether they can actually improve performance [6]. Recent research on emails finds that highly connected people do not necessarily produce a viral cascade. Another study on Twitter shows similar result that influencers are only slightly more likely to produce viral chains [5]. De Veirman et al. (2017) explains that being likeable and being popular does not necessarily make influencer to be perceived as opinion leader. Cha et al (2010) in [4] show that being popular does not imply that influencers can produce many retweets.

2.2. Customer Review

The online customers like to gather rich useful information and compare before considering purchasing the products (Aladwani and Palvia, 2002 in [3]). Informativeness becomes the most important factor influencing customer's decision. Many organizations make decision based on customer review [14].

In traditional shopping customer may get the information from the sales persons. They can help customers on product information and feature and giving recommendation (Zhu et al., 2015). The other source of information in traditional shopping is also Word-of-Mouth (WOM). WOM diffusion is considered as important tools which can influence public opinion, adoption of innovation, new product market share or brand awareness [15].

WOM is a "…the direct communication from person to person regarding an opinion of a product and/or service" [16]. "Definitions of electronic word-of-mouth (EWOM) can be differentiated from their traditional counterparts by their emphasis on the online context that facilitates the exchange of information regarding the usage and characteristics of goods and services" (Hennig-Thurau, Gwinner et al. (2004), Litvin, Goldsmith et al. (2008) in [16]). E-WOM has been shown by Di Pietro et al. (2012) to influence choices of travel destination [17]. Customer review is one part of e-WOM.

Customer reviews are considered as one of important factor which can influence customer decision. They provide information such as product description, product review and recommendation [7]. They also have improved customer perception, attract customer visit and spend more time [7]. Customer reviews can help customer to be more confident, easier and better in making purchase decision (Mudambi, 2010). Previous researches have shown that positive rating and helpful customer reviews can influence the product sales (Clemons et al, 2016; Chen el al, 2008 in [7]).

2.3. E-tailing channel

Customers can shop online from various channels. Two of them are company owned website and e-marketplace. Company owned website is "an independent e-commerce website that a seller runs, where buyers purchase goods

directly from website belongs to the business" [18]. However, for company establishing company own website, especially for SME, will be time-consuming and difficult. At the same time, it will be very difficult to achieve visibility.

On the other hand, e-marketplaces have become an essential part of e-commerce. They have been growing rapidly in these past few years. Forrester Research in 2001 stated that half of the future B2B trading will involve e-marketplace [8].

E-marketplace is a third-party site that includes products from many sellers in various product-categories [18]. E-marketplace is an inter-organizational information system that allows the participating buyers and sellers to exchange information about prices and product offerings (Bakos (1991); Brandtweiner & Scharl (1999) in [8]). It is an intermediary in which unlike traditional market, buyer and seller do not have direct contact [19]. The e-marketplace is an online intermediary to establish buyer-seller relationships and to facilitate the transactions between them [20].

E-marketplace provides product information to consumers [3]. It can reduce consumer search cost, provide more options and update consumer with real-time inventory listing [8]. E-marketplace helps consumers to be more effective, while protecting confidential information and preventing unauthorized activities. E-marketplace helps them manage their transaction, track their shopping progress and prevent unauthorized activities [8]-[20]. However, e-marketplace will have a positive impact if it is credible and trustworthy [21].

3. MATERIAL AND METHOD

This study is a qualitative study. The purpose of this study is to see young customers' (Generation Y and Generation Z) perception on customer review, influencer endorsement and e-tailing channel on their online shopping activities. Questionnaires with open questions about perception on customer review, influencer and e-tailing channel were distributed to 75 students and employees in Jakarta and Bogor with convenience sample collection methods. Fifty-five questionnaires were back. To have further understanding, interviews were done to 10 people (3 Generation Y and 7 Generation Z). The interviews were conducted to see their opinion on customer review and influencer review, what they like and dislike about those reviews. The interview also tried to reveal which one of those reviews are considered genuine and trusted. They were also asked what the positive and negative points of market place and company website.

Descriptive analysis about year of birth and online shopping frequency, percentage, and spending were conducted to see the demographic and online shopping behaviour. The

answers of the questions were collected and tabulated based on the similarity of the items.

4. RESULT AND DISCUSSION

From 55 respondents 58% was female and 40% was male and the remaining percentage was from those who prefer not to say. Fifty-point-nine percent of respondents was Generation Y and 49.1% was Generation Z. Figure 1 showed that 32.7% of respondents claimed that they shop online around 25-50% to their total shopping. Twenty-seven-point-three claimed the percentage was 50-75%. There was 7.3% of respondents even claimed that their shopping activities was more than 75% online.
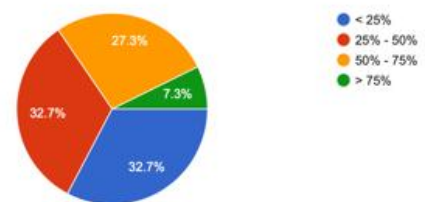

Figure 1: Percentage of online shopping

Figure 2 showed that more than 60% shopped more than 12x in a year. The average shopping spending per transaction was mostly around IDR 100,000 –500,000 (54.5% of respondent). Twenty-five percent of respondent said that they spent IDR 500,000 – 1,000,000 per transaction.
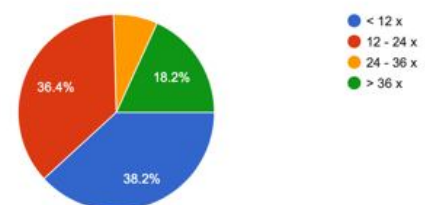

Figure 2: Frequency of online shopping

When asked what were the main reasons they decided to shop online, the most frequent reason was price (76.4% from all reasons stated by respondent). Seventy-two-point-seven percent said because of more bonus, discount and promotion. The third most frequent reason was because shopping online saved time (Figure 3).
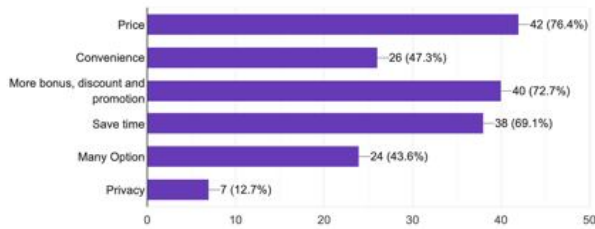
Figure 3: Reasons of online shopping

From 45 responses to the question "are you considering customer's review when shopping online?", 44 of them answered "YES" and only one answered "Sometimes". Twenty-six of them said they thought that customer review was genuine and can be trusted. Thirteen of them said "not Really" or "Sometimes" and only three said they did not believe it. The reasons why they considered customer review were (Figure 4): 31% to see the quality of the product; 24% as a reference; 31% to check whether they can trust the seller; and 14% to see what the experience of others.
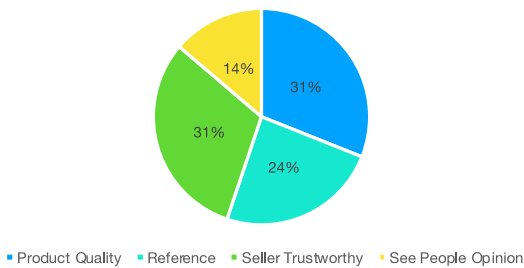

Figure 4: Reasons why considering customer review

When asked "Are you considering influencer review as your reference for your online shopping?", 35 from 45 respondents said "NO", only 10 said "YES". The reasons why they did not consider influencer review were (Figure 5): "they are paid to do so" (40%); "We cannot use them as a reference" (27%); "They are not credible" (20%) and "Their reviews are too much".
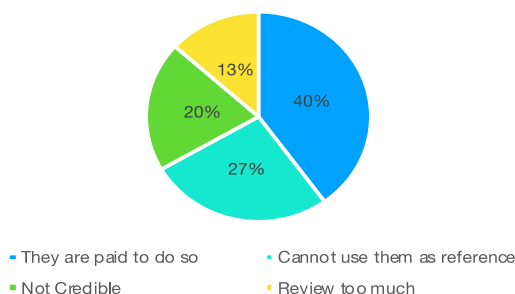

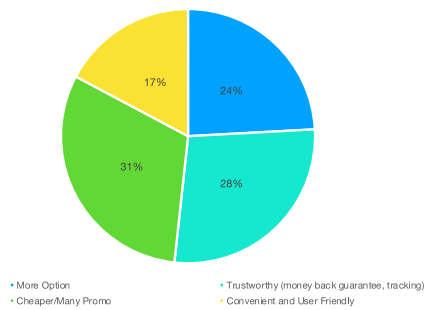**Figure 5:** Reasons why not considering influencer review

Figure 6: Reasons why prefer e-marketplace

The interviews to 10 people revealed that why they more trusted to customer review than influencer review. It was mainly because they believe that influencer review was not genuine. The influencer was paid to do so. Respondents felt that the influencer might not even know or use the product. They trusted customer review more because they were not paid to do so and the review was based on their experiences. However, the respondents also mentioned that they believe customer review if: (1) "they put pictures of the products"; (2) "they not only mention the good of the products but also review the negative side of the products"; (3) "many reviewers about on particular products or seller" (Table 1).

Respondents claimed that they preferred to shop in e-marketplace than company website. Thirty-six from 40 responses chose e-marketplace and only 4 chose company website. The reason of those who chose e-marketplace were (Figure 6): 31% because of "cheaper price"; 28% because of "trustworthy"; 24% because of "more options"; and 17% because of "convenience/User friendly".

Interview result showed that customer considered e-marketplace had more positive points than company website. They claimed that a) "they could find many products in the same websites from many sellers, therefore they can compare"; b) "It's more practical"; c) "The price usually much cheaper"; d) "marketplace offers promo or discount" e) "sometimes free delivery"; f) "It's a more popular platform"; g) "It can minimize fraud". The negative points were such as a)"fake seller"; b)"fake products"; c)"some marketplaces do not provide product return feature" (Table 2).

As for company website the respondent said that there were a)"fake websites"; b) "it is difficult to find"; c)"delivery fee is not free"; d)"the price sometimes is more expensive"; e)"customer service is bad"; f)"it is not user friendly, especially for mobile"; g)"limited products"; h)"customer cannot compare" (Table 2).

Trust has been known to be the variable which influence relationship [22]. In online shopping customer still depends on trust before they decide to shop a particular product in particular seller [21]. In online shopping trust can be built with experience sharing for their reference [21]. Customer

and influencers reviews are references of their experience sharing. They will make customer become confident and feel better in making decision.

The result of this study showed that customer review was considered more genuine and more credible compared to influencer review. They believed that customer review was a genuine experience sharing by the user. Customers also considered that reviews that were long with plus and minus, with pictures of the products and from many customers (many number of reviews) were more credible.

Customers understood the obvious that influencer was paid to produce the review. They thought that influencer reviews were not genuine. Therefore, influencer reviews were not credible and difficult to be trusted. Some even raised the concerned that some influencers did not even know or ever try the products.

Table 1: Customer and Influencer Review

1. Why customer review is more trusted than influencer review?
..because customer review are usually more honest than celegram endorsement. Because endorsement by celegram has guidelines that must be followed and sometimes influencer must willingly or unwillingly follow the guideline on how to review the product. Different from customer review that is not bound to anyone, therefore customer free to express their opinion on products
Customer review is a customer who actually buys aproduct, uses it and feels what he feels from using the product, then he writes the result how he feels about it, so it can be more trusted. While celegram is a person who is paid by certain brand to promote the brand. Actually there are many celegrams who endorse the products but never really use. Therefore the review are not entirely reliable. In essencem customer reviews are more trusted beacuse they are honest and based on experience, while celegram endorsements are less trustworthy because there are still many fake review and can not be trusted since not based on real experience.
Customer rev iew are usually more honest, because it reveals the pluses and minuses of the product from user side, as the user are real customer who bought the porduct and use it. If it is an endorsement, it is just an advertisment, so the advantage is only the product display.
Because customer review is given directly by customer who actually bougjht the product. Meanwhile, celegram, most of them provide riviews based on the payment received by them, they also get the item free of charge sent to them by the seller.
2. What are the typical customer reviews that can be trusted?
Customer reviews that can explain products in detail, tell about the experience of usage (telling user experience when using the product); tell about before and after use for skin care or other treatment product, they should use it for a quite long periode of time (e.g. 1-3 months), so they can review how good, effective or useful the product is.
Which in the review show evidence of the product (such as product picture, picture of before and after the usage of the product, picture of real product, review done by video), which is list raiting on certain scale (1-5).
Customer review that reveals the pros and cons of the products honestly and specifically. Not only explain subjectively (the suitability of the item from user points of view) but also objectively, and is accompanied by the description of the item received

De Veirman et al. (2017) explain that influencers have many followers. The messages that they spread may lead to high reach. However, since being popular might not necessarily makes influencers opinion leader, therefore their influences might not improve performance. At the same time, being known that they are paid to produce the review, reduce the trust level.

This study showed that price, discount and promotion were the top reasons why younger generation shop online. They see e-marketplace can offer them those items compared to company website. They also considered e-marketplace easier and more convenience. Customers can search and compared and there are more options in e-marketplace. E-marketplace is also considered as more trustworthy compared to company websites.

Table 2: Positive and Negative Points of e-Marketplace

1. Positive points about e-Marketplace
we can search for item and compare the price from different sources (sellers) in order to ge a cheaper price. In addition, we can order goods online so it can be more efficient and does not waste time
Positive thing about the marketplace is that I can easily find an item with many brand choices. I also have easier arrangement for delivery as I like. There are many promos and interesting pieces of the products. Some marketplace also provide communication channel with sellers.
Marketplace make it easier for customers to search for various goods and compare one porducts with other similar products to determine the products that best suita consumers in terms of price, quality, variety etc.
Simpler, more discount, minimize possibility of fraud and free delivery
2. Negative points about e-Marketplace
Negative things from the marketplace, among others, some marketplaces sell fake or imiation products that can harm consumer who wants to buy original products. Some marketplaces also do not provude a product return feature. Some markerplaces also mark up prices before giving discounts (fake discounts). Some marketplaces that provide direcr communication featires with sellers, cause cases of attempted fraud on the pretext of asking for amount of money outside the fees listed on the checkout application.
The seller must compete very tight because of many sellers with similar products. Consumers must be extra careful because many of fake items sold in the marketplace

5. CONCLUSION `

Online shopping trend is increasing, especially in younger generation. They still feel that trustworthy is important in their purchasing decision. Review is one of the manifestations in building trust.

In this study, customer review is considered as their preference review compared to influencer review. Customer review will be more trusted if there are many reviews, there is photo provided and there are positive and negative points of the products. Influencer review is considered as not genuine since it is a paid review. Therefore, customer does not rely on influencer review in making purchase decision.

Younger generation prefer to shop in e-marketplace than company website. E-marketplace is considered to offer more products option, more seller, more discount, more promotion and free delivery. E-marketplace is also considered safer than company website.

This study contributes to the study on digital business specifically on important of trust and review to online shopping. For managerial, this study give contribution to how organization work on using review to build trust and what e-tailing channel they should consider.

This study purpose is only to see the perception in a qualitative study. Further study to see the correlation between customer review or influencer review to intention to buy should be conducted. Study to see whether review from influencer really give impact to customer decision should also be made available.

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