



**A STUDY ON IMPACT OF WORD OF MOUTH ON
CONSUMER BUYING DECISION**

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ABSTRACT

Word of mouth (WOM) is an essential source of marketplace information for consumers. There are two types of word of mouth which are conventional word of mouth and electronic word of mouth. The trust on word of mouth is a vital part that can influence consumer in change their mind in buying the products. Consumer likes to share idea and their own experience in buying the products. So, it can create a trust among them especially word of mouth from their family and friends in derived to be more aware in their buying decision. Hence, the purpose of this present study is to identify the impact of word of mouth on consumer buying decision. Specifically, the study focuses on the relationship between the consumer trust on word of mouth and consumer buying decision. Primary data for the study was collected by means of self-administrated questionnaire and supported by sufficient number of secondary data from previous thesis, journal and books. For the purpose of this study, self-administrated questionnaire were collected from 250 consumers in Vista Ilmu, Kota Samarahan between the age range of 20 to 50 years old. The result shows that consumer trust on word of mouth has a significant positive correlation with consumer buying decision. Thus, a last objective of this study was answered. Accordingly, some recommendations for future are included with respect to the finding of this study. This study finding is to study on impact word of mouth on consumer buying decision in Vista Ilmu, Kota Samarahan, which will be achieved through this study.

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

According to (Chen et al, 2008) word of mouth can be defined as face to face communication about a brand, product, or service between people who are perceived as not having connections to a commercial entity. According to (Godes et al , 2009) word-of-mouth is an exchange of comments, thoughts, and ideas among two or more individuals in which none of the individuals represent a marketing source. Word of mouth can influence others perception, thoughts and their decision especially in buying process. If word of mouth power utilized correctly, it will help to market any products and services for the long time and it has the power to create strong image in the individual mind (East et. al, 2008).

Thus, word of mouth helps consumer to know about a new and latest issue. Word of mouth is an essential source of information to consumers and may be positive or negative the customers who are satisfied will continue purchasing the product, and in telling others about these good products, while customers who are not satisfied will remember only disadvantages of the product and they will tell others about these disadvantages, (Richins & Marsha, 2009)

Word-of-mouth plays an essential role in consumer pre-purchase and post-purchase decision making, (Heriyati & Siek, 2011). Additionally, consumers are always everyday talk to each other and that it is of vital importance to the success of numerous products and services. Importantly, relatively little of empirical research has been directed at understanding key issues with respect to word of mouth measurement and the nature and conditions under which word of mouth exerts influence in consumer buying decision. Furthermore, the purpose of

CHAPTER II

LITERATURE REVIEW

2.1 Introduction

This chapter will discuss in detail about the types of word of mouth, the trust on word of mouth and consumer buying decision at was used as dependent and independent variables in the study. In addition, this chapter also includes the appropriate literature and presents the theoretical framework underlying for the purpose of this study.

2.2 Introduction Word of Mouth (WOM)

Word-of-mouth (WOM) has received a lot of attention since the 1950's. It refers to informal communication, both positive and negative, between individuals about characteristics of a supplier and his products, and services (Tax et al. 1993). WOM was found to be especially useful for marketing purposes and gained in popularity for several reasons. One of the reasons for this is that forwarding a message is voluntary rather than a mass add campaign and thus may be viewed more favourably by the recipient (Tax et. al 1993). Another advantage of WOM in the early days was the low cost since the individual passing on the message carries the cost of forwarding the message (Dobele et al. 2005). However, this advantage has decreased in relevance since by using the Internet the costs of sending an additional add is minimal. A third advantage according to (Dobele et al. 2005) is more effective targeting. This happens because people are more likely to forward messages to friends who they think can benefit from the product or service. This helps to get the message to the right audience and to avoid people getting frustrated by receiving too much marketing stimuli for products in which they are not interested. Recall that consumers who are