

## Analysis of MSME Entrepreneurs' and Consumers' Perceptions of the Role of e-Word of Mouth and Conventional Word of Mouth in Business

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| Article Information               | Abstract  |
|-----------------------------------|---|
| Submission date : January 3, 2025 | <p><b>Research aim:</b> To analyze the differences in the effectiveness of WOM and e-WOM and the perceptions of MSME actors and consumers.</p> <p><b>Design/Method/Approach:</b> A descriptive qualitative approach through in-depth interviews.</p> <p><b>Research Findings:</b> Traditional WOM is more effective in building trust through interpersonal relationships, while e-WOM excels in reach and speed of information, albeit requiring greater resources.</p> <p><b>Theoretical Contribution/Originality:</b> Enriching the literature on the integration of WOM and e-WOM within MSMEs.</p> <p><b>Practitioner/Policy implication:</b> Providing guidance for MSMEs in trust-based and technology-driven marketing strategies.</p> <p><b>Research Limitation:</b> Limited sample size across a few MSME sectors.</p> <p><b>Keywords:</b> Word of Mouth, e-Word of Mouth, MSMEs.</p> |
| Revision date : March 12, 2025    |   |
| Accepted date : March 22, 2025    |   |

### 1. Introduction

Word-of-mouth (WOM) has long been one of the most fundamental and effective marketing techniques. WOM is defined as verbal communication between persons aiming at exchanging information, experiences, or recommendations about a product or service. (1). This strategy is considered effective because it involves a high level of interpersonal trust, where consumers are more likely to trust recommendations from people around them compared to formal advertisements (2). WOM is frequently used by Micro, Small, and Medium Enterprises (MSMEs) because of its low cost and huge potential to grow consumer reach without requiring major investment in traditional marketing. With the growth of digital technology, a new type of WOM has emerged: electronic Word of Mouth (e-WOM). Unlike traditional word-of-mouth, which happens via direct encounter, e-WOM allows for online communication via platforms such as social media, review sites, and discussion forums. With a greater reach and faster distribution, e-WOM is considered a more relevant progression of WOM in the digital age (3). However, the effectiveness of e-WOM and conventional WOM remains a topic of debate, particularly within MSMEs that face challenges in technology adaptation and changing consumer behavior.

Previous research emphasizes the importance of WOM in marketing. For example, Purnomo's study demonstrates that Promotional Word of Mouth has a significant influence on purchasing decisions, as evidenced in the case of Toko Meisya in Sampit (4). In this study,

WOM becomes a strategic tool to overcome formal marketing limitations such as strict advertising regulations and limited promotional budgets. Other studies also support that WOM has a unique ability to influence consumers due to its personal and trustworthy communication nature. This is evident in how WOM can increase sales of culinary products in Malang City, even amidst intense competition among businesses. (5).

According to studies, e-WOM is a development of WOM that is just as essential in the world of marketing. In the same study, e-WOM was found to influence 47.5% of purchase decisions at a restaurant in North Bandung. The study found that this method has a considerable impact on customer behavior in the digital era. Additionally, the study also highlighted that e-WOM allows for broader reach and faster interaction compared to conventional WOM (6). Then, a prior year's study found that e-WOM outperformed traditional WOM in digital marketing. This study discovered that e-WOM can reach a considerably larger audience without geographical boundaries, delivers more conveniently available information, and has a stronger influence on purchase decisions. One of the main reasons supporting this is the ease for consumers to compare various opinions and reviews about products or services through the internet, which is difficult to achieve with traditional WOM (7).

While several studies have shown the benefits of WOM and e-WOM in marketing, the research on the variations in the efficacy of these two approaches across different sectors, especially in the MSME sector is somewhat lacking. Studies reveal that e-WOM has more influence on buying decisions via digital platforms and clearly benefits in reaching a larger audience free from geographical restrictions. These findings are supported by other studies mentioning that e-WOM significantly contributes to purchasing decisions at a restaurant in North Bandung. However, in another study, the findings highlight that for MSMEs, conventional WOM remains the mainstay due to limited access to technology and consumer preferences for personal interactions considered more trustworthy. This article offers novelty by focusing on a comparative analysis of the perceptions of MSME entrepreneurs and consumers regarding WOM and e-WOM, particularly to understand the reasons behind the inconsistencies in previous research findings. By involving MSMEs from various sectors and consumers with diverse characteristics, this study will provide new insights into how these two strategies can be effectively applied in the MSME environment. This article will also explore the role of technological adaptation in supporting the effectiveness of e-WOM and the potential integration of both strategies to optimize MSME marketing strategies.

### **1.1. Statement of Problem**

In the digital era, WOM remains one of the fundamental and influential marketing strategies, particularly for MSMEs. Technological advancements have introduced e-WOM, which offers broader reach and faster dissemination compared to conventional WOM. However, the effectiveness of e-WOM has not entirely replaced traditional WOM, especially for MSMEs. Some studies indicate that e-WOM significantly influences purchasing decisions, while others suggest that conventional WOM is more effective due to its personal and trustworthy nature within the MSME context. This inconsistency in research findings raises important questions: What factors influence the differences in the effectiveness of WOM and e-WOM? How do MSME entrepreneurs and consumers perceive the role of each strategy?

## 1.2. Research Objectives

This article aims to:

- a. Identifying the factors that cause differences in the effectiveness between WOM and e-WOM.
- b. Analyzing the perceptions of MSME entrepreneurs and consumers on the effectiveness of WOM and e-WOM.

## 2. Method

This research is a descriptive qualitative study, where this method can be defined as an interpretive method, with the researcher serving as the key or primary instrument. (8). The researcher chose a qualitative approach due to the nature of the study, which focuses on exploring perspectives and subjective understandings of individuals directly involved in implementing these two marketing strategies in MSMEs. This study employs narrative data analysis and triangulation techniques. Narrative analysis will be conducted by identifying themes and patterns emerging from the stories shared by entrepreneurs and consumers. Each narrative will be analyzed to uncover meanings related to the effectiveness of WOM and e-WOM.

Primary data was collected by the researcher through in-depth interviews with MSME entrepreneurs and consumers. These interviews aimed to obtain detailed and comprehensive narratives about how each party interacts with WOM and e-WOM, as well as how both influence purchasing decisions. MSME entrepreneurs were asked to share their experiences in using WOM and e-WOM to market their products, including the challenges they faced and their evaluation of the strategies' impact on their business. Meanwhile, consumers were asked to share their experiences regarding how WOM and e-WOM influenced their decisions to purchase products or services from MSMEs. Informants were selected based on the 5R criteria, where the researcher chose informants based on Relevance, Recommendation, Rapport, Readiness, and Reassurance (9). The following is a further explanation discussing the criteria for determining informants using the 5R method in this study:

**Table 1. Informant Criteria**

| Criteria       | Description  |
|----------------|--|
| Relevance      | <ol style="list-style-type: none"> <li>a. Entrepreneurs who actively use WOM, e-WOM, or both in their marketing strategies.</li> <li>b. Consumers who have experience interacting with WOM and/or e-WOM when making purchasing decisions.</li> </ol>                 |
| Recommendation | <ol style="list-style-type: none"> <li>a. Informants recommended by customers as businesses that use WOM or e-WOM.</li> <li>b. Customers selected based on recommendations from business owners or other customers who have interacted with WOM or e-WOM.</li> </ol> |
| Rapport        | <ol style="list-style-type: none"> <li>a. Informants who are willing to cooperate and openly share their experiences.</li> <li>b. Informants who have the time to participate in in-depth interviews without pressure.</li> </ol>                                    |
| Readiness      | <ol style="list-style-type: none"> <li>a. Informants who have the time and willingness to be interviewed.</li> </ol>   |

|             |  |
|-------------|--|
|             | b. Informants who understand the topic and can provide relevant information. |
| Reassurance | a. Informants with relevant experience related to WOM and e-WOM.             |
|             | b. Informants who do not have biases or conflicts of interest.               |

The process carried out by the researcher, after filtering informant criteria using the 5R method, involved contacting six informants. Two of them were business owners, and the other four were customers of each respective business.

**Table 2. Informant List**

| Description                                   | Informant Name   |
|---|--|
| <i>Martabak Hollane</i>                       | Mrs. IA (Business Owner)<br>Mr. FD (Customer)<br>Mr. DN (Customer) |
| <i>UMKM Jasa Cuci Sepatu Navershowseswash</i> | Mr. VR (Business Owner)<br>Mr. BG (Customer)<br>Mrs. FT (Customer) |

During the interview process, the researcher visited the business location of Martabak Hollane and conducted an interview with the business owner (IA). This was followed by interviews with two informants (FD and DN) recommended by the owner of Martabak Hollane, as they frequently purchase products from the business. The researcher then visited the home of the owner of the MSME shoe cleaning service, Navershowseswash, to conduct an interview with the owner (VR). The next step involved interviews with two informants (BG and FT) who were visiting the owner's home to pick up their orders.

To address the objectives of this study, the researcher asked several questions to the informants. Below are the research instruments used:

**Table 3. Research Instruments**

| Tujuan Penelitian  | Instrumen Penelitian  |
|--|---|
| Identifying the factors that cause differences in the effectiveness between WOM and e-WOM. | a. What is your strategy for using traditional WOM to promote your products or services?<br>b. Have you utilized e-WOM such as social media or review platforms? If so, what were the results?<br>c. What are the main challenges you face in adopting e-WOM as part of your marketing strategy?<br>d. Do you more often purchase products based on direct recommendations or online reviews? Why?<br>e. How do you view trust in recommendations from friends/family compared to online reviews? |

|  |  |
|--|--|
| Analyzing the perceptions of MSME entrepreneurs and consumers on the effectiveness of WOM and e-WOM. | <p>a. In your opinion, are your customers more responsive to traditional WOM or e-WOM? Why?</p> <p>b. How do you evaluate the success of WOM and e-WOM in influencing sales and customer loyalty?</p> <p>c. Has your experience with WOM or e-WOM ever significantly influenced a purchasing decision? Could you share an example?</p> <p>d. What are the most important factors for you in trusting a review or recommendation, whether through traditional WOM or e-WOM?</p> <p>e. Do online reviews often help you compare products or services? If so, how do they impact your purchasing decisions?</p> |
|--|--|

The informants are divided into two categories: those who are business owners and those who are business customers. From these two categories, the research instruments previously described are further divided to provide questions appropriate to the informants' roles as business owners or customers.

### 3 . Results and Discussion

**Table 4. Data Validity Test**

| No | Research Problems/Objectives   | Research Questions  | Source Triangulation  |
|----|--|---|---|
| 1. | Identifying the factors that cause differences in the effectiveness between WOM and e-WOM. | <p>f. What is your strategy for using traditional WOM to promote your products or services?</p> <p>g. Have you utilized e-WOM such as social media or review platforms? If so, what were the results?</p> <p>h. What are the main challenges you face in adopting e-WOM as part</p> | <p>Terdapat perbedaan pendapat antara kedua pemilik usaha: informan pertama mengandalkan WhatsApp status tanpa strategi khusus, sementara informan kedua menganggap strategi WOM tradisional kurang efektif karena pelanggan utamanya adalah anak muda.</p> <p>Informan pemilik usaha pertama tidak tertarik menggunakan e-WOM karena biaya tambahan promosi. Sebaliknya, informan pemilik usaha kedua memanfaatkan e-WOM melalui endorsement selebgram yang efektif meningkatkan respons pelanggan muda.</p> |

|   |  |   |  |
|---|--|---|--|
|   |  | of your marketing strategy?   | Pemilik usaha pertama enggan menggunakan e-WOM karena biaya tambahan, sementara pemilik usaha kedua menganggap biaya endorsement selebgram sebagai tantangan utama.  |
|   | i.   | Do you more often purchase products based on direct recommendations or online reviews? Why?                               | Pelanggan Martabak Hollane lebih percaya rekomendasi langsung, sedangkan pelanggan Navershoeswash mengandalkan ulasan online untuk informasi yang lengkap dan beragam untuk membandingkan kualitas produk dan dipengaruhi oleh detail ulasan.    |
|   | j.   | How do you view trust in recommendations from friends/family compared to online reviews?                                  | Pelanggan Martabak Hollane lebih percaya rekomendasi personal dari teman/keluarga, sementara pelanggan Navershoeswash mengutamakan ulasan online karena efisiensi, meski tetap mempertimbangkan rekomendasi teman..                              |
| 2 | Analyzing the perceptions of MSME entrepreneurs and consumers on the effectiveness of WOM and e-WOM. | a. In your opinion, are your customers more responsive to traditional WOM or e-WOM? Why?                                  | The first business owner finds it difficult to evaluate customer responses to WOM because the majority are loyal customers. Conversely, the second business owner finds customers more responsive to e-WOM due to the relevance of social media. |
|   |  | b. How do you evaluate the success of WOM and e-WOM in influencing sales and customer loyalty?                            | The owner of Martabak Hollane evaluates WOM success informally by relying on customer visits, while the owner of Navershoeswash compares profits before and after using e-WOM through endorsements.  |
|   |  | c. Has your experience with WOM or e-WOM ever significantly influenced a purchasing decision? Could you share an example? | Martabak Hollane's customers are more influenced by traditional WOM due to its personal nature, while Navershoeswash's customers find e-WOM more significant as it provides broad access to various reviews and opinions.                        |
|   |  |   | Martabak Hollane's customers prioritize closeness and trust in   |



|  |   |
|--|---|
| d. What are the most important factors for you in trusting a review or recommendation, whether through traditional WOM or e-WOM? | personal recommendations, while Navershoeswash's customers consider detailed and transparent reviews as the main factors in trusting e-WOM.   |
| e. Do online reviews often help you compare products or services? If so, how do they impact your purchasing decisions?           | Martabak Hollane's customers perceive online reviews as having little influence on their purchasing decisions, whereas Navershoeswash's customers find online reviews very helpful in comparing products and a key factor in their decisions. |

The following is a data reduction table from interviews with informants, summarizing the responses during the interviews regarding the factors that cause differences in the effectiveness of WOM and e-WOM for MSMEs.

**Table 6: Data Reduction for Research Objective 1**

| <b>Questions</b>   | <b>Answers</b>  |
|--|---|
| a. What is your strategy for using traditional WOM to promote your products or services?           | Most entrepreneurs use traditional WOM through interpersonal relationships with long-standing customers and local communities. This strategy is considered inexpensive yet effective in building trust.     |
| b. Have you utilized e-WOM such as social media or review platforms? If so, what were the results? | Some entrepreneurs have started using social media, but the results vary. Some see an increase in customers, while others struggle due to a lack of technical skills or resources for online promotion.     |
| c. What are the main challenges you face in adopting e-WOM as part of your marketing strategy?     | The main challenges include high costs for online promotion, limited technological knowledge, and difficulties in creating engaging content for social media.   |
| d. Do you more often purchase products based on direct recommendations or online reviews? Why?     | Most customers tend to make purchases based on direct recommendations, as they trust the opinions of people they know more than online reviews, which are not always seen as reliable.                      |
| e. How do you view trust in recommendations from friends/family compared to online reviews?        | Customers place greater trust in recommendations from friends and family, as they are perceived as sincere and based on direct experience, whereas online reviews require further validation to be trusted. |

The following is a data reduction table from interviews with informants, summarizing the responses during the interviews regarding the perceptions of MSME entrepreneurs and consumers on the effectiveness of WOM and e-WOM.

**Table 6: Data Reduction for Research Objective 2**

| Questions  | Answers   |
|--|---|
| a. In your opinion, are your customers more responsive to traditional WOM or e-WOM? Why?   | Entrepreneurs observe that customers are more responsive to traditional WOM in local environments, while younger customers tend to be more responsive to e-WOM due to the accessibility of social media.  |
| b. How do you evaluate the success of WOM and e-WOM in influencing sales and customer loyalty?                                   | The success evaluation was conducted by comparing visit or sales rates before and after implementing a particular strategy. Traditional WOM was deemed more effective in building customer loyalty.   |
| c. Has your experience with WOM or e-WOM ever significantly influenced a purchasing decision? Could you share an example?        | Informants revealed that traditional WOM often influences purchasing decisions, mainly due to high trust in recommendations from close acquaintances. e-WOM, on the other hand, is useful for initial research but rarely serves as the primary decision-making factor. |
| d. What are the most important factors for you in trusting a review or recommendation, whether through traditional WOM or e-WOM? | The main factors are the honesty and real experiences of the recommenders. Traditional WOM is considered more trustworthy, whereas e-WOM is effective when supported by strong visual evidence or compelling testimonials.  |
| e. Do online reviews often help you compare products or services? If so, how do they impact your purchasing decisions?           | Online reviews often help customers compare products or services, but their influence on purchasing decisions remains smaller compared to recommendations from close acquaintances.   |

The tactics used by MSME entrepreneurs to use WOM and e-WOM, which mostly depend on the unique circumstances and requirements of each business, are the primary causes creating disparities in the effectiveness of WOM and e-WOM, according to the results of the interviews (7). Entrepreneurs with little resources and those who are interested in fostering personal connections within the community are more likely to use traditional WOM. On the other hand, businesses that want to reach a younger and larger audience use e-WOM, even if it requires more resources (3). The main obstacles of e-WOM are low technological expertise, expensive advertising expenses, and the requirement of producing interesting material. Meanwhile, trust is the key advantage of traditional WOM, as customers feel more confident in recommendations from close acquaintances compared to online reviews, which are sometimes perceived as less genuine (2).



Based on the findings of the interviews, this study examines how consumers and MSME entrepreneurs assess the efficacy of word-of-mouth (WOM) and e-WOM. According to entrepreneurs, traditional word-of-mouth (WOM) is quite successful at fostering client loyalty in local communities (2). Businesses who use conventional word-of-mouth (WOM) believe it doesn't cost more and works well for bringing in clients through personal recommendations. However, entrepreneurs who want to reach a wider audience, especially among younger consumers who are engaged on social media, use e-WOM (7). From the consumer's perspective, traditional WOM is considered more trustworthy as it is based on real experiences from close acquaintances. Nonetheless, e-WOM makes it easy for customers to acquire a range of viewpoints from several individuals, assisting them in making better judgments (3). Both strategies have their respective advantages, depending on the needs and conditions of the business.

#### 4. Conclusions

This study examined how MSME do-ers and customers see these two techniques and identified the characteristics that differentiate the success of WOM and e-WOM. The study's findings demonstrate that in local contexts, traditional word-of-mouth (WOM) is more successful in fostering trust and patronage, particularly through solid interpersonal ties. Then, e-WOM is proven to be superior in reaching a wider audience and offering convenience with quick and diverse access to information, although it requires greater resource investment. The perceptions of entrepreneurs and consumers toward the effectiveness of these two strategies vary depending on the level of trust, target market, and resource availability.

This research makes a valuable contribution. Theoretically, it enriches the literature by demonstrating how trust factors, target markets, and access to technology influence the effectiveness of these two marketing strategies. Practically, the findings of this study can be utilized by MSME entrepreneurs to design more effective marketing strategies by combining traditional WOM and e-WOM in accordance with the characteristics of their market.

This study has several limitations that need to be considered. The sample coverage is limited to several MSMEs in specific sectors, so the results may not fully represent all MSME sectors. For future research, it is recommended to involve a larger sample from various MSME sectors and to use a quantitative approach to strengthen the findings.

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