

The Impact of The Word of Mouth on Buying Behavior of Shares; Applied Study in Amman's Stock Exchanges Markets

Mahmood Jasim Al-Samydai, Dima Musa Al-Dajani, Lina Abdalah Al-ataywi

Abstract: the aim of this study is to identify the word of mouth and its effects on the buying behavior of stocks at the Amman financial exchange market. The Researcher relied on a questionnaire as a means of data collocation method for the study. The study sample consisted of 125 clients who are clients at the Amman financial exchange market who were chosen at random, the researcher used the statistical package (SPSS) for data analysis. The researcher reached several conclusion, most important ones were that there was a medium level of evaluation for the word of mouth for the clients of the Amman stock exchange financial market reaching (3.55), The research has shown the word of mouth to have an effect of statistical significance (at $p=0.05$) on the buying behavior of the stocks at the stocks exchange including things like dealers, communication, reference group and the company status. Based on the results of this study the researcher made several recommendations including working on enhancing awareness of the stock exchange clients about the economic activity that is included in the word of mouth.

Index Terms : Word of Mouth; Buying Behavior; Shares; Communication tools; Reference Groups; Dealers; Economic activity

1 INTRODUCTION

Stock exchange market considered as one of national economic foundations for any country because of its importance in selling and buying securities, such as shares (stocks), bonds and all other financial instruments [1]. The dealing volume of securities, including stocks, reflects directly or indirectly, the boom of stock markets, which is an indicator for economic movement boom for any country and consolidates the financial and economic position of the countries [2]. At the same time, the financial trading volume, of stocks, bonds and all other financial instruments, reflects the position and the financial power of the working companies in this country or any other countries. Any defect in market procedures or any news or information transferred by word of mouth, inside the market, may have great impact on dealing process and may reflects on values of these securities, including stocks, directly or indirectly which impacts the dealing process and causes great damage on companies reputation, their stocks' values and the economic movement of the country related to bring and import finance and investments, internally or externally. From another side, word of the mouth has an important role and effect in the decision process of buying or selling stocks, consequently on the volume of stocks dealing or transactions, through its impact on purchasing behavior inside the stock market concerning stocks presented or displayed for selling or buying.

From another side, the word of mouth, whether face to face or through different media tools, has a basic role in rising or decreasing stocks value which impacts buying behavior of shares or stocks. Stock market, including shares, is affected by transferred information or rumor inside the market, which reflects positively or negatively on dealing movement, particularly buying and selling the related stocks. Word of mouth considered as a vital channel in delivering and broadcasting information that motivates people buying behavior; subsequently it is considered to be an important promotion tool and has an effect power on different types of people behavior including their buying behavior. This effect varies according to differences in people awareness and attitudes.

2 PREVIOUS STUDIES AND HYPOTHESES DEVELOPMENT

2.1 REVIEW STAGE

Many researchers, scholars, professionals and others, in marketing and communications, were concerned in studying the concept of the word of mouth and its impact on many fields and dimensions. Hossain, 2017, [3] indicates that word of mouth is customer declaration or announcement, positively or negatively, towards a service or product and consequently, it is a distribution of information that may change customers' decisions, points of view and selections. Gildin, 2013, [4] explains that it is a type of communication types among consumers based on their personal experiences and feelings about a certain service or product. Therefore, it is an important resource of information and the most powerful in effect. Abu Huete and Nuria., 2017, [5] mentions that it is face to face, personal and verbal contact process to transfer information about something (service or product or others) and considered to be a channel or tool of high credibility to consumers. Aslam, et al, 2011, [6] provides that word of mouth is an honest and real conversation, from people prospective, where through it information is exchanged for the mutual influence among them. In many times, it is so difficult for consumer to evaluate product, service or resources that he gains his information from them, because it may be not of enough reliable credibility

Corresponding author; Mahmood Jasim Alsamaydai; 1Department of marketing, The Faculty of Business, Al-Zaytoonah University, P.O box-130. Amman, Jordan. Email: Mahmood_jasim2000@yahoo.com, Phone.: 00962777397835

for that, so they go for what information others prefer to take purchase decision. Kau & Loh, 2006, [7] explain that word of mouth is a type of communication types of great effect on marketing places and on customers' purchases, evaluations to certain products, expectations, awareness, assumptions and attitudes. On the other hand, [8], [9], [10], [11], [12] concentrate on the importance of communication by word of mouth as information channel with impact on consumer behavior and facilitates for him the knowledge of the necessary information that helps in taking purchase decision. communication through word of mouth has positive or negative effects on consumer behavior which may push him to buy or may not. Where Dulaimi, 2014, [13] indicates, in his research, that positive transferred for word of mouth occupies a positive attitude towards the presented thing or product or issue; and the negative transferred word of mouth considered as resentment status towards the presented thing or product or issue, consequently, it occupies consumers' resentment reactions towards products' providers and will affect purchase decision process. The word of mouth becomes widespread because of new technology and the environment of the social media, and becomes one the most benefits for consumers by presenting their opinions towards companies, products and services. Consequently, it may generate positive or negative messages of different reflections, AL-Yassen, 2017, [14] these messages play an important role in affecting the purchase behavior of shares and stock market exchange. For that, increase, decrease, slow and fast of dealing process or transactions is impacted by what is transferred from information and rumors inside stock market exchange. Consumers feel more reaction when they are able to exchange their opinions and experiences about products, services and other things; where you will find social media is very suitable and sufficient for that contribution [16], [17]. The word of mouth, through internet, becomes to circulate widely because of the great increase in number of internet users, whether it is through email or through social media [18]. A car & Polonsky, 2007, [19] indicate that importance of word of mouth through internet is increasing because of the increase in numbers of people who are using the internet. Within this work environment through internet, the word of mouth, in a written form via internet, permits internet users to refer to it in anytime which facilitates for them to pick information more than traditional word of mouth. The people communication through internet form a social power measured precisely and controlled due to the good planning of information systems. The transferred word of mouth, nowadays, has a very significant role in the internet as it is of different channels for consumers to exchange information and experiences of various products, services and others [20]. The study of Yassin, 2017, [14] concentrates on the study of using word of mouth affect via communication tools, and its impact on customers buying behavior in cloths manufacturing field. The word of mouth, in order to be of significant impact, must contain four dimensions, which are: credibility of word of mouth, the source for word of mouth should be reliable and trusted, and he must be expert with good experience.

2.2 THE MAIN HYPOTHESIS

The word of mouth is defined, procedurally, in this study as an interactive verbal communication tool that its effectiveness is determined by nature and type of provided information and the used persuading method, which may be positive, negative or

neutral. The provided information that was transferred via all communication methods which impact on shares buying behavior of buyers.

H0: The word of mouth has a negative effect on buying behavior of shares (stocks).

2.2.1 The dealers:

The dealers are group of people that take purchasing decision, and refers to them the final decision of purchasing the product or service, where the procedural dealers are defined as group of investors, individuals or companies, interact and influence on ask and bid forces and on purchasing process of the dealing shares in the market.

H01: The dealers have a negative effect on the buying behavior of shares.

2.2.2 Communication Tools:

They are electronic systems that allow internet users to create their own pages and connect them through electronic social system with others for the purpose of exchanging information about several issues. But from the procedural side, communication messages occupy many different methods, traditional or electronic, that enable dealers in stock exchange market to interact and communicate with market assumptions, facts and information in easy and smooth way through traditional and electronic tools that impact shares exchange process, prices' levels and raising or dropping transactions.

H02: The communication tools have a negative effect on the buying behavior of shares.

2.2.3. Reference Groups:

They are the human groups that can be used as reference frame for people in their purchasing decisions, forming their attitudes and behavior; and it have impact on purchasing behavior of people. From procedural side, they present the groups that dealers, in stock market exchange, are looking to imitate them, follow their example and their behavior, as they consider them the basic reference frame for taking their purchasing decisions of 2.2.4. Deliberated shares.

H03: The reference groups have a negative effect on the buying behavior of shares.

Put the company in the market:

It is the impression and the image that the company and its products occupies or locates in customers' minds, its advantages upon competitors, whether in a positive or negative way. From procedural side, it is the position and the reputation that company makes across dealers which include shares position and reputation, subsequently, that will have an impact on shares purchasing decision.

H04: Put the company in the market has a negative effect on the buying behavior of shares.

2.2.5. The economic activity prevailing:

It is a group of actions, traditions and habits, that people or society takes, in economic field related to production, exchange, distribution, consumption, income and other issues. From procedural side, it presents the human activity that is performed inside and outside the stock exchange market,

which presented by the way of distributing and dealing with data and information related to shares dealing in a way that leads to a benefit on market economic situation and including the impact of the country general economic situation on shares dealing transaction.

H05: The economic activity prevailing has a negative effect on the buying behavior of shares.

Buying behavior of shares:

There is no big difference in the definition of buying behavior among researchers or scholars. Buying behavior is concentrated on choosing, buying and consuming commodities and services in a way that it satisfies consumers' desires; which is, in fact, expresses the summary of processing and taking the purchasing decision. In the following we present the diagram of the study model, Figure (1), which explains the relation between the word of mouth, study hypotheses and the buying behavior of shares.

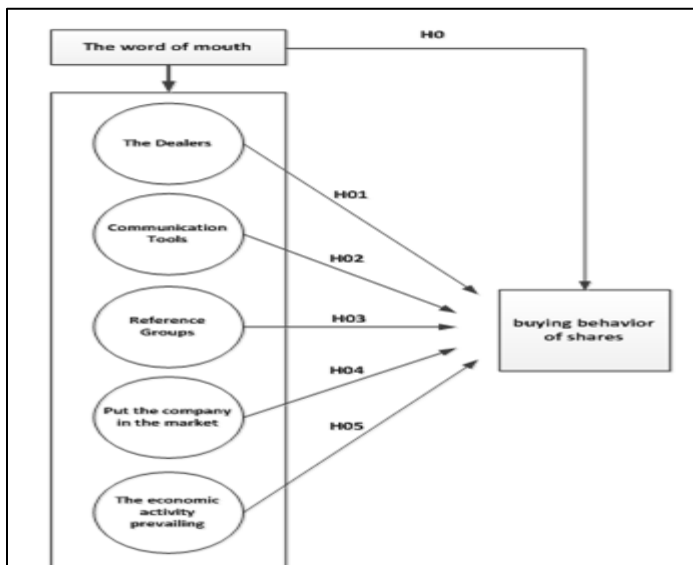


Fig. 1. Study model, which explains the relation between the word of mouth, study hypotheses and the buying behavior of shares.

2.3. THE STUDY PROBLEM

Word of mouth has its different dimensions and types and its effect forms is one of the major problems in buying and selling stocks because of its capability to increase or decrease stocks' values, consequently, it affects dealing process and purchasing behavior inside stock market. For that, the main question, and concern, for this study is restricted on the following question: What is the impact of "The word of mouth" on purchasing or buying behavior of shares?

2.4. STUDY OBJECTIVE

There are many types of practiced "word of mouth" on the real life, as mentioned, especially inside stock market that affects the dealing and pricing process. For that, the objective of this study is to identify the impact of word of mouth, with all types and forms (like dealers, communication tools, reference groups, companies' conspiracies in the market and economic activity in the country), on buying behavior of shares.

2.5. STUDY METHODOLOGY

We tested our hypotheses by using the collected data returned from applying the questionnaire on sample of (125) customers. The collected information based on a primary exploration study with the purpose of constructing and designing the study model. Six hypotheses were proposed, based on literature related to word of mouth and buying behavior. Many descriptive statistical methods were used e.g., one sample T-test, Multiple Linear Regression Analysis and Person Correlation Coefficient.

2.6. TEST OF RELIABILITY

A reliability coefficient of (Cronbach's Alpha); (70%) or higher percentage is considered "acceptable" in most social science research situations. The result of this test in the current study is (79%) with number of items (36).

3. RESULTS

By using descriptive analysis and one-sample T-test, as shown in Table (1)

In Table (1) we notice that T values, for all dimensions and hypotheses, sequentially are:

H01= 10.28; H02=9.99; H03= 13.67; H04= 12.98; H05= 9.61; and all the values are greater than the standard (tabular) T value, which equals to (1.96). Consequently, we reject null hypotheses for dimensions related to word of mouth and accept the alternative hypothesis. In Table (1) we notice that T values, for all dimensions and hypotheses, sequentially are: H01= 10.28; H02=9.99; H03= 13.67; H04= 12.98; H05= 9.61; and all the values are greater than the standard (tabular) T value, which equals to (1.96). Consequently, we reject null hypotheses for dimensions related to word of mouth and accept the alternative hypothesis. It is to say, that there is an impact for all dimensions of word of mouth, on buying behavior of shares. In order to test the main hypothesis, Multiple Linear Regression Analysis is used to measure impact of word of mouth five dimensions on buying behavior of shares.

In the following, Table (2) explains results of this analysis:

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Word of mouth Dimensions and Contort (μ)	Coefficients β	Standard Errors	Value of (t)	Sig.
Contort (μ)	1.094	0.230	4.680	0.000
The dealers	0.189	0.054	3.484	0.003
Communication Tools	0.238	0.068	3.498	0.002
Reference Groups	0.370	0.076	4.860	0.000
Put the company in the market	0.268	0.068	3.975	0.001
The economic activity prevailing	0.109	0.810	2.140	0.004
Determination of Coefficient $R^2 = 0.586$		Adjusted Determination (R^2) = 0.569		
Value of (F) = 33.706		Sig. of (F) = 0.000		

[The critical value of (t) with (d f=124) and ($\alpha = 0.05$) = 1.96]
 [The critical value of (F) with d f (5,119) and ($\alpha = 0.05$) = 2.29]

4 DISCUSSION AND CONCLUSION

Multiple Linear Regression Analysis model is valid and approved, what supports that, the calculated value of (F) which equals (33.706), and it is greater than the tabular value of (F) that equals to (2.29). Also, the value of the statistical indicator (Sig.) which equals to (0.000) that is less than the moral level ($\alpha = 0.05$); based on this, the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted. From the value of adjusted determination coefficient (R2) that equals (0.569), it is clarified that variation in word of mouth dimensions, included in the model, presented by (The dealers, Communication Tools, Reference Groups, Put the company in the market, The economic activity prevailing), explain the percentage of (59.9%) of variations that happen on buying behavior of shares in Amman Stock Exchange market. The remaining percentage, which equals (43.1%), belongs to other variations which are not included in the model. The statistical indicator for regression coefficients (β) is valid and approved for four dimensions of word of mouth presented by (The dealers, Communication Tools, Reference Groups, Put the company in the market). What supports this, the calculated value of (t) for these dimensions, where the values of the statistical indicator (Sig.) for the previous dimensions are less than the moral level ($\alpha = 0.05$). On the light of the previous results, the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted, that states: There is an impact, with statistical indicator at the moral level ($\alpha = 0.05$) for word of mouth dimensions, presented by (The dealers, Communication Tools, Reference Groups, Put the company in the market, The economic activity prevailing), on buying behavior of shares in Amman Stock Exchange market. This result agrees with most of studies that are related to word of mouth impact on customers buying behavior in different fields; like studies of [14], [17], [13], [21], [22]. Results specialized in customers evaluation, of Amman Stock Exchange market customers, for word of mouth dimension, presented by (The dealers, Communication Tools, Reference Groups, Put the company in the market, The economic activity prevailing), indicated that the dimension of (Reference Groups) gained the (First) grade, as the most important dimension for customers of Amman Stock Exchange market, the dimension (Put the company in the market) came in the (second) grade, The dimension (Communication Tools) came in the (Third) grade, The dimension (The dealers) took in the (Fourth) grade, Finally the dimension (The economic activity) came in the (Fifth) grade and it is the last grade on the scale of attentions' priorities for customers of Amman Stock Exchange market. This study, in spite of its limitations and boundaries, but considered to be a rare and extraordinary study that combines between marketing concepts, related to word of mouth and its impact on buying behavior, and Stock Exchange Market in shares dealing process (buying of shares). The results of this study confirm the impact of word of mouth on buying behavior of shares. Also it confirms that word of mouth, not only has an impact on customers, their behavior, their purchase decision, dealing with buying and selling shares, but also it has an impact on all other different fields that are related to buying behavior and consumers' buying decisions. We are looking that future studies focus on other sides of impacts and effects

for word of mouth, which were not covered in this study.

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