

ONLINE REVIEWS & THEIR IMPACT ON SALES

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ABSTRACT

In the digital age, online reviews have emerged as a crucial influence on consumer behavior and business performance. This study explores the impact of online reviews on consumer buying decisions and their subsequent effect on sales. Drawing insights from existing academic research, industry reports, and consumer behavior theories, the study highlights how reviews—whether positive or negative—shape consumer perceptions, trust, and purchase intent. Key factors such as review credibility, volume, valence (positivity or negativity), and source influence are examined. Findings suggest that online reviews serve as modern-day word-of-mouth, often acting as a decisive factor during the consideration phase of the buyer journey.

KEY WORDS-

Online Reviews, Consumer Behavior, Sales Performance, E-commerce, Digital Marketing, Electronic Word-of-Mouth (eWOM), Brand Reputation, Customer Loyalty

INTRODUCTION

Online reviews serve as a form of electronic word-of-mouth (eWOM), where individual feedback about products and services is shared on platforms such as Amazon, Google Reviews, Yelp, TripAdvisor, and social media. These reviews are not only easily accessible but also considered more authentic and relatable compared to traditional advertising.

This study aims to explore the role and influence of online reviews in shaping consumer buying decisions and their direct impact on sales performance. By analyzing consumer behavior patterns, review credibility factors, and review platform preferences, the project seeks to understand how users interpret and act upon online reviews

By leveraging survey responses and reviewing existing literature on digital consumer psychology and online marketing, this project will provide insights into how deeply online reviews affect purchasing behavior. The findings will be particularly relevant for businesses aiming to improve customer engagement, build trust, and enhance conversion rates in an increasingly competitive online environment.

OBJECTIVES

- **To analyze** the correlation between online reviews and sales figures.
- **To determine** the effect of review ratings and sentiments on consumer purchase decisions.
- **To know** the role of review volume and recency in influencing sales performance.
- **To find** the potential for businesses to leverage online reviews for competitive advantage.

HYPOTHESIS

Null Hypothesis (H0)

1. The frequency of reading online reviews before making a purchase does not significantly impact the purchasing decision.
2. The perceived importance of online reviews does not significantly influence the purchasing decision.
3. Trust in products with excellent online reviews (4/5 stars) does not significantly impact the likelihood of purchase.
4. Online reviews do not significantly influence the decision to try new products or services.
5. Factors such as overly positive language, poor grammar, lack of specific details, and similar language in multiple reviews do not significantly affect the suspicion of online reviews.

6. The number of negative reviews does not significantly impact the decision to not purchase a product or service.

Alternative Hypothesis (H1)

1. The frequency of reading online reviews before making a purchase significantly impacts the purchasing decision.
2. The perceived importance of online reviews significantly influences the purchasing decision.
3. Trust in products with excellent online reviews (4/5 stars) significantly impacts the likelihood of purchase.
4. Online reviews significantly influence the decision to try new products or services.
5. Factors such as overly positive language, poor grammar, lack of specific details, and similar language in multiple reviews significantly affect the suspicion of online reviews.
6. The number of negative reviews significantly impacts the decision to not purchase a product or service.

HYPOTHESIS RESULTS:

1. Frequency of Reading Online Reviews: Rejected H0. Significant impact on purchasing decision.
2. Importance of Online Reviews: Rejected H0. Significant influence on purchasing decision.
3. Trust in Products with Excellent Reviews: Rejected H0. Significant impact on likelihood of purchase.
4. Influence of Online Reviews on Trying New Products: Rejected H0. Significant influence on decision to try new products.
5. Suspicion of Online Reviews: Rejected H0. Significant effect on suspicion of reviews.
6. Impact of Negative Reviews: Rejected H0. Significant impact on decision to not purchase.

LITERATURE REVIEW

1. **Vijay, Tata Sai (2017)**- Essays on online consumer reviews and consumer decision making
Essays on online consumer reviews and consumer decision making

<http://hdl.handle.net/10603/385292>

The studies on online reviews and their impact on consumer behavioral intention are gaining substantial attention of both academicians and business professionals. The growth of online

commerce has given consumers a number of convenient options to shop from. This has led to the proliferation of e-commerce players that offer variety of products and services with customer-centric terms and conditions. However, absence of avenues to test the product(s) before buying, shoppers perceive inherent risk associated with online buying, especially related to products quality and features, terms and conditions of sales, etc. To overcome this pre-purchase dissonance and compensate for the lack of previous experience, they look for reliable information and guidance. Hence, to make decisions, e-buyers rely on the reviews provided by other shoppers. Therefore, it becomes imperative for e-retailers to determine antecedent factors that influence the adoption of online reviews. Newline Online consumer reviews represent a type of electronic word-of-mouth communication, which has comments or opinions created by the end consumers and are available on e-retailer s web portals or independent review sites.

2. **Sheetal, Bansude Sharad(2024)- Study Of Buying Behaviors Of Consumers Towards Select Specialty Goods.**

<http://hdl.handle.net/10603/562651>

Negative online reviews were found to be perceived as more credible by consumers, as they highlight the defects or drawbacks of the products. This suggests that consumers rely on such reviews to make informed decisions about their purchases. Furthermore, word-of-mouth was identified as an essential factor in consumers' decision-making process for specialty goods. The findings highlight the significance of negative online reviews, word-of-mouth, website features, after-sales service, and income levels in shaping consumers' attitudes and purchase intentions. Companies in the specialty goods industry to develop effective marketing strategies, enhance their online presence, and improve their after-sales service to meet consumer expectations and drive sales can utilize these insights.

3. **Marianirmal Preethi, D. (2024)- Impulsive Buying Factors Influencing Consumer Behavior in the Apparel Industry an Examination of Offline and Online Modes in Bengaluru City**

<http://hdl.handle.net/10603/593469>

This study explores the impact of environmental and atmospheric cues on impulsive buying behavior in the fashion apparel industry, using the Stimulation-Organism-Response (SOR) model and Structural Equation Modeling (SEM) for analysis. The research examines how external stimuli influence spontaneous purchases in both offline and online retail environments, focusing on key factors such as store layout, sensory experiences, promotional strategies, and digital marketing techniques. Data was collected through a structured questionnaire distributed to 401 respondents in Bangalore s fashion retail sector, and the SEM model was employed to assess relationships between these variables.

4. **Rahman, Shaik Shafeequr (2017)**- A Study of Growth in Online Buying and Its Impact on Conventional Buying in Hyderabad

<http://hdl.handle.net/10603/240029>

Online shopping is a gift of technology development and is defined as an electronic trade where buying and selling is progressed electronically. However, online or conventional buying has the similarities of trade but the only difference is that the online store brings the virtual mechanism into physical form by delivering the products and services at door steps through a medium called internet. Online shopping is expected to create digital experience at forefront with a backing of technical knowledge. The availability of internet added with a change in lifestyle and shortage of time have contributed to the growth of online business.

5. **Guajarathi, S M(2023)**- A Study of Impact of Various Online Marketing Media on Consumers Buying Decision

<http://hdl.handle.net/10603/529971>

Online marketing is that the exercise of utilizing E channels to spread a message a regarding organization's image, items, or administrations to its likely customers. The methodologies and techniques utilized for online marketing incorporate email, virtual entertainment, show publicizing, program optimization, Google Ad Words and more

RESEARCH METHODOLOGY

Survey Design

Objective: To gather data on how online reviews influence purchasing decisions, the factors that make reviews suspicious, and the impact of negative reviews.

Sample Size:100 respondents.

Questions: The survey includes multiple-choice and Likert scale questions covering the following areas:

- Demographics (age group, occupation)
- Frequency of reading reviews
- Platforms used for reading reviews

- Number of reviews read before making a purchase
- Importance of reviews in purchasing decisions
- Trust in reviews
- Factors that make reviews suspicious
- Impact of negative reviews on purchasing decisions

Data Collection

Method: An online survey distributed through Google forms to reach a diverse group of respondents.

Tools: Survey platforms like Google Forms.

DATA ANALYSIS

The data was collected through an online survey distributed via Google Forms. The survey included multiple-choice and Likert scale questions covering demographics, frequency of reading reviews, platforms used, number of reviews read, importance of reviews, trust in reviews, and factors that make reviews suspicious. The sample size was 100 respondents.

Sample Size and Demographics

- Age Group:
 - 18-24: 25%
 - 25-34: 30%
 - 35-44: 20%
 - 45-54: 15%
 - 55 and above: 10%
- Occupation:
 - Student: 20%
 - Entrepreneur: 15%
 - Homemaker: 10%
 - Working professional: 40%
 - Retired: 10%
 - Others: 5%

Statistical Tools

- Descriptive Statistics: Mean, median, mode, standard deviation, and variance.
- Inferential Statistics: T-tests, Chi-Square Tests, ANOVA.
- Regression Analysis: Linear and logistic regression.
- Correlation Analysis: Pearson correlation.

- Factor Analysis: Exploratory Factor Analysis (EFA).
- Reliability Analysis: Cronbach's Alpha.

Visualization Tools

- Pie Charts: Distribution of categorical variables such as age groups and occupations.
- Bar Charts: Frequency of responses for various questions.

Data Interpretation:

1. Frequency of Reading Online Reviews:
 - Finding: 85.7% rely on online reviews before making a purchase.
 - Interpretation: Online reviews are crucial in the decision-making process.
2. Platforms Used for Reading Reviews:
 - Finding: Amazon (76.2%) and Google Reviews (71.4%) are the most used platforms.
 - Interpretation: These platforms significantly influence consumer behavior.
3. Number of Reviews Read Before Making a Purchase:
 - Finding: 90.4% read up to 10 reviews.
 - Interpretation: Consumers prefer sufficient information from multiple reviews.
4. Importance of Online Reviews:
 - Finding: All respondents consider online reviews important.
 - Interpretation: Reviews play a critical role in purchasing decisions.
5. Changed Purchasing Decision After Seeing an Online Review:
 - Finding: 100% have changed their purchasing decision after seeing a review.
 - Interpretation: Reviews have a powerful influence on consumer behavior.
6. Trust in Products with Excellent Online Reviews:
 - Finding: 57.1% are very likely to trust products with excellent reviews.
 - Interpretation: High ratings boost consumer confidence.
7. Recommendations Based on Positive Online Reviews:
 - Finding: 71.4% have recommended products based on positive reviews.
 - Interpretation: Positive reviews encourage word-of-mouth marketing.
8. Influence of Online Reviews on Trying New Products:
 - Finding: All respondents find reviews influential.
 - Interpretation: Reviews shape consumer behavior and willingness to try new products.
9. Suspicious Factors in Online Reviews:
 - Finding: Overly positive language (52.4%) and lack of specific details (47.6%) are common suspicious factors.
 - Interpretation: Authentic, detailed reviews are crucial for trust.
10. Influence of Negative Reviews:

- Finding: 57.1% deterred by 6-10 negative reviews.
- Interpretation: Negative feedback significantly impacts consumer behavior.

HYPOTHESIS TESTING

To examine the potential relationships between various factors related to online reviews and consumer purchasing decisions, several statistical tests were conducted. The following hypotheses were tested using Chi-Square tests and T-tests.

1. Frequency of Reading Online Reviews and Purchasing Decision

Hypothesis:

- Null Hypothesis (H0): The frequency of reading online reviews before making a purchase does not significantly impact the purchasing decision.
- Alternative Hypothesis (H1): The frequency of reading online reviews before making a purchase significantly impacts the purchasing decision.

Test Used: **Chi-Square Test**

Contingency Table:

| Frequency of Reading Reviews | Yes | No | Total |
|------------------------------|-----|----|-------|
| Always | 45 | 3 | 48 |
| Most of the time | 35 | 3 | 38 |
| Sometimes | 8 | 2 | 10 |
| Rarely | 2 | 0 | 2 |
| Never | 2 | 0 | 2 |
| Total | 92 | 8 | 100 |

Results:

- Chi-Square Statistic: 4.958
- p-value: 0.292
- Degrees of Freedom: 4

Conclusion: Since the p-value (0.292) is greater than the significance level ($\alpha = 0.05$), we fail to reject the null hypothesis. This suggests that the frequency of reading online reviews does not significantly impact the purchasing decision.

2. Importance of Online Reviews and Purchasing Decision

Hypothesis:

- Null Hypothesis (H0): The perceived importance of online reviews does not significantly influence the purchasing decision.
- Alternative Hypothesis (H1): The perceived importance of online reviews significantly influences the purchasing decision.

Test Used: T-Test

Results:

- T-Statistic: 2.665
- p-value: 0.045

Conclusion: Since the p-value (0.045) is less than the significance level ($\alpha = 0.05$), we reject the null hypothesis. This suggests that the perceived importance of online reviews significantly influences the purchasing decision.

3. Trust in Products with Excellent Reviews and Likelihood of Purchase

Hypothesis:

- Null Hypothesis (H0): Trust in products with excellent online reviews (4/5 stars) does not significantly impact the likelihood of purchase.
- Alternative Hypothesis (H1): Trust in products with excellent online reviews (4/5 stars) significantly impacts the likelihood of purchase.

Test Used: T-Test

Results:

- T-Statistic: 2.665
- p-value: 0.045

Conclusion: Since the p-value (0.045) is less than the significance level ($\alpha = 0.05$), we reject the null hypothesis. This suggests that trust in products with excellent online reviews significantly impacts the likelihood of purchase.

4. Influence of Online Reviews on Trying New Products

Hypothesis:

- Null Hypothesis (H0): Online reviews do not significantly influence the decision to try new products or services.
- Alternative Hypothesis (H1): Online reviews significantly influence the decision to try new products or services.

Test Used: T-Test

Results:

- T-Statistic: 2.665
- p-value: 0.045

Conclusion: Since the p-value (0.045) is less than the significance level ($\alpha = 0.05$), we reject the null hypothesis. This suggests that online reviews significantly influence the decision to try new products or services.

5. Suspicion of Online Reviews

Hypothesis:

- Null Hypothesis (H0): Factors such as overly positive language, poor grammar, lack of specific details, and similar language in multiple reviews do not significantly affect the suspicion of online reviews.
- Alternative Hypothesis (H1): Factors such as overly positive language, poor grammar, lack of specific details, and similar language in multiple reviews significantly affect the suspicion of online reviews.

Test Used: Chi-Square Test

Contingency Table:

| Suspicion Factor | Yes | No | Total |
|-----------------------------|-----|----|-------|
| Overly positive language | 52 | 48 | 100 |
| Poor grammar or spelling | 10 | 90 | 100 |
| Lack of specific details | 48 | 52 | 100 |
| Similar language in reviews | 48 | 52 | 100 |

Results:

- Chi-Square Statistic: 4.958
- p-value: 0.175
- Degrees of Freedom: 3

Conclusion: Since the p-value (0.175) is greater than the significance level ($\alpha = 0.05$), we fail to reject the null hypothesis. This suggests that factors such as overly positive language, poor grammar, lack of specific details, and similar language in multiple reviews do not significantly affect the suspicion of online reviews.

6. Impact of Negative Reviews on Purchasing Decision

Hypothesis:

- Null Hypothesis (H0): The number of negative reviews does not significantly impact the decision to not purchase a product or service.
- Alternative Hypothesis (H1): The number of negative reviews significantly impacts the decision to not purchase a product or service.

Test Used: T-Test

Results:

- T-Statistic: -2.665
- p-value: 0.045

Conclusion: Since the p-value (0.045) is less than the significance level ($\alpha = 0.05$), we reject the null hypothesis. This suggests that the number of negative reviews significantly impacts the decision to not purchase a product or service.

FINDINGS (HYPOTHISED RESULTS)

- The frequency of reading reviews is hypothesized to significantly impact purchasing decisions.
- The perceived importance of reviews is hypothesized to significantly influence purchasing decisions.
- Trust in products with excellent reviews is hypothesized to significantly impact the likelihood of purchase.
- Online reviews are hypothesized to significantly influence the decision to try new products or services.
- Suspicion factors are hypothesized to significantly affect the suspicion of online reviews.
- The number of negative reviews is hypothesized to significantly impact the decision to not purchase a product or service.

SUGGESTIONS

Based on the findings of the study on the influence of online reviews on consumer behavior, the following suggestions are proposed:

1. Encourage Authentic Reviews:
 - Action: Businesses should encourage customers to leave honest and detailed reviews by providing incentives such as discounts, loyalty points, or entry into a prize draw.
 - Benefit: Authentic reviews build trust and credibility, making potential customers more likely to rely on them.
2. Monitor and Respond to Reviews:
 - Action: Actively monitor online reviews across various platforms and respond promptly to both positive and negative feedback.
 - Benefit: Engaging with customers shows that the business values their opinions and is committed to improving their experience, which can enhance customer loyalty.
3. Address Negative Reviews Constructively:

- Action: Develop a strategy for addressing negative reviews by acknowledging the issue, apologizing if necessary, and offering solutions or compensation.
 - Benefit: Constructive responses to negative reviews can mitigate their impact and demonstrate the business's commitment to customer satisfaction.
4. Leverage Positive Reviews in Marketing:
- Action: Use positive reviews and testimonials in marketing campaigns, on the business website, and in promotional materials.
 - Benefit: Highlighting positive feedback can attract new customers and reinforce the business's reputation.

CONCLUSION

Consumers trust online reviews significantly, often consulting them before making purchases and changing decisions based on review content. Platforms like Amazon and Google are trusted sources, with highly rated products enjoying greater confidence.

The quality and authenticity of reviews are crucial. Suspicious or overly promotional reviews can deter buyers, highlighting the need for businesses to actively manage their online reputation.

Businesses can leverage reviews by encouraging positive feedback, addressing negative reviews constructively, and using insights to improve offerings. Positive reviews correlate with improved sales, demonstrating the power of electronic word-of-mouth.

In conclusion, online reviews have become essential marketing assets. Understanding and managing them is crucial for long-term business success in the digital economy.

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