

The Effect of Observational Learning and Word of Mouth Learning on Consumer Behaviors

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Abstract. This article explores two learning methods of social interaction in social media and e-commerce environments: observational learning and word-of-mouth learning, and their impact on consumer behavior. This article summarizes the influence of two learning methods on consumer behavior in social interaction, and their differences. The article found that both observational learning and word-of-mouth learning have a significant impact on consumer behavior, with positive observational learning having a clear effect on information. Negative word-of-mouth learning information has a stronger influence on consumer decision-making. Observational learning enhances external motivation, while word-of-mouth learning stimulates internal motivation. When highly involved in product decision-making, word-of-mouth details are more critical; Low involvement products allow for more effective observation and learning of information. The impact of word-of-mouth learning on long-term decision-making increases over time. Observing and learning information spreads quickly, while word-of-mouth information spreads slowly. Understanding these mechanisms is crucial for e-commerce platforms and sellers to develop marketing strategies.

Keywords: Observational learning; word of mouth learning; social interaction; consumer behavior; e-commerce.

1. Introduction

Since ancient times, humans have been social creatures, and social networks play an important role in human society [1]. Social interaction affects every aspect of people's lives, and one of the behaviors highly influenced by social interaction is consumer behavior [2-4]. In the digital era of the 21st century, the rapid development of the Internet and social media has profoundly changed the way people interact with each other [5]. With the rise of e-commerce, consumers are no longer limited to traditional shopping patterns but increasingly rely on online platforms for product search, comparison, and purchase. In this context, social interaction has become an important factor influencing consumer decision-making processes, especially through two social learning methods: Word of Mouth Learning (WOML) and Observational Learning (OL), which play crucial roles in consumer decision-making [6-8].

Nowadays, with the increasing demand of consumers in e-commerce, the importance of social interaction has gradually become more and more important [6-8]. Many businesses have regarded social interaction as the main strategy to attract consumers and increase sales [6]. However, further research is needed on how WOML and OL, two learning methods in social interaction, specifically affect consumer behavior. And what are the differences in their effect on consumer behavior under different conditions? This is important for the current e-commerce industry to develop effective marketing strategies.

This article aims to comprehensively analyze the effect of OL and WOML on consumer behavior in different aspects and compare the differences in their effect on consumer behavior. To help people engaged in the e-commerce industry understand how OL and WOML learning methods in social interaction affect consumer behavior

2. Theoretical Background

2.1. Network and Social Network

A network is a set of relationships, consisting of several nodes and their relationships. The relationships mentioned here may have different descriptions in different scenarios. The simplest network consists of two nodes, 1 and 2, and a relationship connecting them [9]. For example, there are nodes A and B, and their relationship is the exchange of their experience for a product.

Social network theory is a theoretical framework that is applied in the field of sociology, providing analysis from micro-level individual relationships to macro-level national relationships. The core of this theory lies in its deeper exploration of the patterns of social relationships and their impact on social structures and processes. Social network theory views social phenomena as networks composed of interactions between countless individuals, which enables us to understand the complexity and diversity of society [9].

2.2. Social Interaction

Social interaction refers to any behavior that occurs between individuals, which can be mutual or unilateral. These behaviors will have an impact on the behavior of other individuals. In the context of e-commerce, these behaviors have an impact on the value judgments or decisions of other consumers' products or services. Social interaction can occur in face-to-face environments or online through digital platforms and social media. It is an important consideration factor for consumers when making purchasing decisions, as they expect an interactive experience during the purchasing process [6-8].

2.3. Observational Learning

Observational Learning (OL) is a form of social learning proposed by Albert Bandura's theory of social learning, which suggests that individuals can learn new behaviors by observing the behavior and consequences of others without directly participating in or experiencing those behaviors. In OL, individuals adjust their behavior patterns by observing the behavior, outcomes, and rewards or punishments of role models or others. Observational learning theory suggests that learners can benefit from the experiences of others without personally experiencing events, which is a highly efficient way of learning in social interaction [6-8].

Observational learning is widely applied in the fields of business and consumer behavior to understand how consumers are influenced by others' purchasing decisions. Especially in the e-commerce and social media environment, OL has become particularly prominent. Consumers collect information and make their own purchasing decisions by observing others' purchasing behavior, product sales volume, browsing history of products, and wish lists. This learning method is not limited to direct imitation but also includes analyzing and interpreting the behavior of others to form an individual's own judgment of value of the product or service [6-8].

2.4. Word of Mouth Learning

Word of Mouth learning (WOML), proposed by Arndt, is a form of social interaction in which consumers share their opinions on various product-related matters, such as products, services, sellers, etc., either orally (such as chatting with family and friends) or in written form (such as online reviews). With the popularity of the Internet, electronic word-of-mouth (eWOM) has broken the time, space, and social distance restrictions of traditional word-of-mouth communication, and has the characteristics of high-speed communication, wide-coverage, and a large amount of information, storability, instant reception, anonymity, and space-time freedom [6-8].

OL is mainly about learning and acquiring intuitive, surface level information. WOML requires individuals to learn deeper information, and there is logic and reason behind their actions [7].

3. Main Result

3.1. Observational Learning

‘Online Social Interactions: A Natural Experiment on Word of Mouth versus Observational Learning’ points out that positive observational learning information significantly increased product sales. This refers to when consumers see or learn that many other consumers have purchased a product, they interpret it as a signal that the product is popular or of high quality. For example, if a product ranks high on the sales chart or has many purchase records on the website, potential consumers may perceive this as positive observational learning information, indicating that the product is worth buying, and thus make purchasing decisions. Consumers pay attention to negative observational learning information, such as the fact that few people purchase a certain product or there are few sales records of the product. Consumers may infer from this that the product may not be favored or of poor quality. However, the impact of negative observational learning information on consumers is not significant, which may be due to various reasons, such as a small audience for the product, high prices, or other non-quality issues. Therefore, consumers find it difficult to judge whether to make a purchase solely by learning negative observational learning information. The impact of observational learning on product sales will weaken over time and be more effective on e-commerce platforms with high usage frequency [8].

In ‘Social interaction based consumer decision-making model in social commerce: The role of word of mouth and observational learning’, researchers also obtained similar results, founding that observing the purchasing behavior of other consumers on e-commerce or social platforms significantly increased consumers' purchase intention. This means that consumers will learn by observing the purchasing behavior and decisions of other individuals, and thus decide whether they should also purchase the same product, and positive observational behavior is more likely to trigger purchasing behavior [6].

‘The Power of Social Learning: How to do Observational and Word of Mouth Learning Influence Online Consumer Decision Processes?’ found that observational learning reinforces consumers' extrinsic motivation, which refers to an individual's behavior being driven by external factors, that is, the motivation to engage in a certain activity to obtain some external reward or avoid punishment. In consumer behavior, external motivations may include seeking convenience, pursuing higher cost-effectiveness, or reducing search time and costs. For example, consumers may choose to shop at a certain online store because it offers product discounts or waives express fees. Moreover, observational learning has a significant impact on the three stages of consumer decision-making - search, evaluation, and purchase. Observational learning encourages consumers to imitate the behavior of others, especially in situations with high uncertainty. Consumers tend to follow the choices of the majority, a behavior pattern known as ‘conformity’ [7].

3.2. Word of Mouth Learning

‘Online Social Interactions: A Natural Experiment on Word of Mouth Verse Observational Learning’ points out that negative word-of-mouth can significantly influence consumers' purchasing decisions. When consumers share their negative experiences or dissatisfaction with a product or service, this word-of-mouth spread is called negative word-of-mouth learning. This may include criticism of product quality, service, pricing, and other aspects. Negative word-of-mouth often has more influence than positive word-of-mouth because people are usually more sensitive to negative information. Negative word-of-mouth can quickly damage brand image, affect consumer trust, and lead to the loss of potential customers. In purchasing decisions, consumers often give more weight to negative information. Compared to negative word-of-mouth, positive word-of-mouth does not have a significant impact on consumer decision-making. The more word-of-mouth learning information consumers learn and the larger the amount, the more likely they are to be influenced by word-of-mouth learning information and make consumption decisions. Word of mouth learning information has the most significant impact on consumers in the early stages of the product lifecycle [8].

'Social interaction based consumer decision-making model in social commerce: The role of word of mouth and observational learning' points out that positive word-of-mouth will strengthen consumers' willingness to purchase, while negative word-of-mouth will weaken consumers' willingness to purchase. The article did not compare the degree of influence of positive and negative factors on consumer decision-making, but it was found that critical learning significantly affects consumer decision-making. Word of mouth learning promotes the spread of information on social networks. Satisfied consumers are more inclined to share positive experiences, while dissatisfied consumers may spread negative information. This information dissemination process further influences the decisions of other potential consumers [6].

The paper 'The Power of Social Learning: How to do Observational and Word of Mouth Learning Influence Online Consumer Decision Processes?' also concludes that consumer behavior is significantly influenced by word-of-mouth learning information. Word of mouth learning will strengthen consumers' intrinsic motivation, which stems from personal interests and enjoyment. They will invest more time and energy in collecting information, participating in discussions, and making decisions. In this situation, the richness and depth of word-of-mouth information enable consumers to better understand and evaluate the product and make purchasing decisions [7].

3.3. Comparison

Firstly, the impact mechanisms of OL and WOM on consumers are different. WOM tends to strengthen consumers' internal motivation, which enables them to make decisions based on personal interests, preferences, and needs. In contrast, OL tends to reinforce consumers' external motivations, which can encourage them to imitate the behavior of others to gain social recognition or avoid deviating from mainstream choices [7].

Secondly, the impact of OL and WOM on consumers depends on their level of participation in the product. Product participation refers to the level of concern and thoughtful consideration that consumers have for the product. High involvement products tend to be processed through a central pathway, and consumers will analyze information in depth. At this point, the detail and persuasiveness of WOML are more crucial. Low involvement product purchases tend to lean towards peripheral paths, and consumers rely on quick and superficial cues such as sales rankings or other people's wish lists. In this case, OL is more important [7].

Thirdly, the influential intensity of OL and WOM will change over time. Initially, the influence of observation learning is greater because it can quickly transmit signals about product acceptance. However, over time, the advantages of word-of-mouth learning in providing more in-depth information gradually become apparent, becoming a key factor in long-term decision-making [7,8].

Fourthly, the dissemination speed of OL and WOM is also different. OL information can spread faster through social media and online platforms, affecting more potential consumers because consumers can quickly obtain information through OL. The dissemination of WOML may be slower as it relies on communicative information. This means that even though social media today can help WOM accelerate the dissemination of information, each individual consumer still needs to spend a long time understanding this information, so compared to the dissemination speed of OL information, it will be much slower [6].

Fifth, positive observational learning information is more significant than negative information. This is the opposite of word-of-mouth learning information, which typically manifests as negative information having more influence than positive information. This asymmetry may stem from diagnostic differences in observed learning signals: positive signals (such as higher purchase percentages) are often more easily recognized by consumers as indicators of product quality or attractiveness, while negative signals have lower diagnostic value and therefore have less direct impact on decision-making. Compared to word-of-mouth learning, the influence of negative information is more prominent due to the deeper and more comprehensive information obtained, so negative information may be more significant than positive information. [7, 8].

Sixth, WOML may be more prominent in the search and evaluation stages of decision-making, as it provides in-depth product evaluation. In the actual purchasing stage, OL may play a greater role [7].

4. Conclusion

This article focuses on the impact of observational learning (OL) and word-of-mouth learning (WOML) on consumer behavior in social networking environments, emphasizing the crucial role of social interaction in consumer behavior. The article found that observational learning (OL) has a greater impact on positive information, with consumers seeing high sales as a quality signal, while negative information has a smaller impact. In word-of-mouth learning (WOM), negative information has a greater impact on decision-making and can quickly damage the brand. OL strengthens external motivation and promotes imitative behavior; WOM enhances intrinsic motivation and deepens product understanding. OL is more effective in high uncertainty products, while WOM is more prominent in product depth evaluation. The influence of the two changes over time, with OL showing initial advantages and WOM being the latecomer, and with different dissemination speeds, OL is faster. Positive OL information is more significant than negative information, in contrast to the dominance of negative information in WOM.

E-commerce or sellers can improve the convenience and efficiency of consumers' entire process from search to purchase by effectively utilizing the power of social learning to provide better shopping-related information. For observational learning, e-commerce platforms or sellers should use user profiling and big data technology to construct more refined and intuitive information models, to adjust observational information to bring positive effects; for word-of-mouth learning, consumers should be encouraged and guided to contribute high-quality and objective reviews.

Future research directions may include exploring the differential effects of OL and WOML in different consumer groups, their impact on different types of products, and how to use existing technologies to more accurately understand consumer decision-making processes. In addition, this study can further investigate the impact of OL and WOML on consumer behavior and explore other influencing outcomes. With the development of various emerging technologies, the shopping methods of future consumers may become more diverse, and OL and WOML may have different impacts in the context of new shopping methods than before. In summary, social networks have broad application prospects in the field of consumer behavior research and are expected to provide strong support for innovative marketing strategies.

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