

The Effects of Positive Word of Mouth in Mediating Brand Equity and Purchase Decision: A Study of Iraqi Customers

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Abstract

A purchasing decision is heavily influenced by consumer behaviour.. This study investigates the consumer behaviour of the Iraqi market. A market for the specific needs and expectations of the typical Iraqi consumer can be developed to understand consumer behaviour. Unfortunately, research in this area was neglected due to the neglect of the industrial and manufacturing sectors and the exclusive focus on the petroleum business. In this study, the author analyses the effect of Word of Mouth (WOM) on brand equity and purchase decisions, two common marketing productivity measures. WOM is the oldest and most successful communication medium because of its cheap cost, impacting the efficiency of allocating marketing resources. Following a thorough assessment of the literature, the author offers many hypotheses that will be evaluated in the future to see how WOM affects each aspect of brand equity and purchase choice. This research takes a quantitative method; prior studies' questionnaires were adapted and delivered to Iraqi consumers. The participants in this research were 204 Iraqi customers from the different cities of Iraq (Baghdad, Mosul, Basra). We used Smart-PLS 3.0 to run the PLS algorithm and PLS-bootstrapping to test all of the hypotheses. This study highlights the significance of researching Iraqi consumer behaviour, which should interest Iraqi producers, investors, and stakeholders.

Keywords

Positive word-of-mouth, Iraq ,brand equity, purchasing decision

Introduction

Iraq has been seen as a country of uneven development and fractured politics since the invasion. However, despite the unfavourable perceptions, Iraq is progressively transforming into a world of economic opportunities. Sections of the country are becoming more politically stable, economically wealthy, and connected to the worldwide economic community. Iraq's substantial economic development can be seen in its overall progress: during the next five years, Iraq's collective GDP, driven mainly through oil and services, is projected to increase at a double-digit pace of 12% per year (Salman and Mohammed 2020). Iraq's economy will be the fastest expanding in the area as a result of this development. Furthermore, a stable and expanding economy and rising family income have created the conditions for a resurgent consumer market. However, any company's marketing and customer acquisition activities are likely chaotic and inefficient without a defined strategy.

Companies strive to accomplish their organisational goals, usually in the form of profit maximisation, high market shares and survival in an ever-intensifying marketplace. In such a market, more discerning consumers better predict brands and trends, thereby becoming an indicator of purchase intention (Kalaimahal and Kumaradeepan, 2019). In this perspective, customer purchasing choices are heavily influenced by brand equity (BE). Marketers aim to raise BE for their goods as long as the rise affects customer preferences toward choosing the desired items and services (Cobb-Walgren et al., 1995). The brand association assists consumers in processing together with retaining the information particular to a brand. According to Aaker (1991), consumers have connections with a brand in the form of positive attitudes, which give a reason to buy certain products. Therefore, sellers face a high level of competitiveness and have to discover other ways of gaining the attention of potential customers.

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The easiest and the cheapest way to introduce a product since word of mouth (WoM) has been the case for millennia for any society. In addition, the consumer receives information and peer/friends' reviews regarding the attractiveness of a product (Peter et al., 1999). Trusov et al. (2009) assumed that WOM is considered an essential marketing tool, as it can shape consumers' behaviour towards a product or service. Thus, WOM effectively has a vital

role in consumer decision making. Indeed, many researchers consider WOM the ultimate influencer of consumer behaviour (Murtiasih and Siringoringo, 2013). However, to date, studies of the role of positive word of mouth (PWOM) as a moderator between BE and customer purchasing decisions are limited.

This article thus seeks to address the gap and examines this subject thoroughly as follows: The first section serves as an introduction to this research. The research issue, as well as the research question and hypotheses for this study, are outlined in Section 2. Section 3 outlines the study's variables, including WOM and BE, as well as consumer purchasing decisions, while section 4 delves into the components of BE. The final section sets out the research framework and methodology for this study before providing conclusions.

Literature Review

Different experts put forward a variety of theories for measure the behavior of consumers in using a service / product / service. Measurement behavioral aspect that measure up to the extent to which the acceptance of consumers (intention and usage) has been started since Davis (1995) suggests Technology Acceptance Model (TAM which refers to the modeling before, namely Theory Reasoned Action (TRA) and TPB (Theory of Planned Behavior). Theory Reasoned Action (TRA) from Fishbein and Ajzen (1980) explains "... the intention to perform a behavior is the main predictor whether or not they actually

Many scholars have noticed that managing the consumer experience is becoming an essential concern for any brand (Brakus et al., 2009, Schmitt, 1999). Indeed, marketing research proposes that consumers now consider the product and the extra value in associated services within the brand (Yoo et al., 2000). Therefore, from both an academic and a managerial standpoint, BE may be regarded one of the most important constructs in the area of brand management (Yang et al., 2015).

Research on brand equity change through parent product branding requires creating a service brand (Ahn et al., 2018). A collection of brand assets and liabilities connected to a brand, its name and symbol adds to or subtracts from the value given by a product or service to a company and/or that firm's consumers. According to Aaker (1991). (p15), customer-based BE is defined as the differential impact of brand awareness on consumer reaction to the brand's marketing. Furthermore, (Davicik et al., 2015) recognised BE as a strategic asset for organisations and (Gunawardane, 2015) tested and confirmed the positive relationship between BE and purchasing decisions. Also, according to (Gradojevic and Irwin, 2007) analysed the particular determinants of BE and found that BE, gross profit, advertising expenditures, and research and development expenses all have a strong positive connection. According to (Ahn et al., 2018), BE is key to improving the extended service brand and expanding markets through different industries. Indeed, perceived quality can be considered a standard part of decision making, especially as customers need to take a product from various other brands. In addition, perceived quality is the customer's view of the advantages, excellence and credibility (Pham et al., 2016).

For marketing purposes, firms focus on building consumer awareness to produce desired

audience responses. According to Keller (2003), brand awareness is "all descriptive and evaluative brand-related knowledge retained in consumer memory, as well as personal meaning regarding a brand." As a result, brand awareness is critical in promoting product connections and subsequent sales. In addition, the role of brand awareness in consumer purchasing decisions was illustrated by (Macdonald and Sharp, 2000), as consumers tend to choose familiar with popular brands.

A customer's connection to a brand, regardless of price or other product qualities, is brand loyalty (Aaker, 1991). According to (Raj G. Javalgi and Moberg, 1997), brand loyalty influences behavioural, attitudinal, and decision-making perspectives. "A strongly held commitment to repurchase or patronise a preferred product or service consistently in the future, despite situational factors and marketing activities having the potential to induce switching behaviour," Oliver described brand loyalty (1997, p. 392). Furthermore, marketers and theoreticians alike see loyalty as an important concept due to a variety of reasons. For example, new customers cost almost always more than current ones maintained (Cengiz and Akdemir-Cengiz, 2016, Reinartz and Linzbach, 2018).

A brand may be thought of as a potentially beneficial communication channel that plays a part in effective brand management and customer engagement (Roy and Banerjee, 2014). According to research by (Jeon and Baeck, 2016), brand association creates a mental picture of a brand in this situation. Furthermore, branding is critical in promoting strong brands in small and medium-sized businesses (Mohan et al., 2018; Muhonen et al., 2017).

WOM appears to have a significant role in exchanging relational knowledge about goods and services that are not market-oriented (Brown et al., 2007). WOM is a modern medium for marketing in the hands of digital marketers, which can effectively target customers and influence customer behaviour (Tuan Ismail, 2020). WOM is defined by Arndt (1967, p. 190) as "oral, person-to-person communication about a brand, a product, an organisation, or a service between a perceived non-commercial communicator and a receiver." WOM is defined as "informal communication aimed towards other customers regarding the ownership, use, or qualities of specific products and services or their suppliers," according to Westbrook (1987, p. 261). Spreading PWOM is more critical to businesses than any other communication channel for influencing people's attitudes and behaviours. WOM affects people's decisions more than newspaper or magazine messaging, according to (Katz et al., 2017). Previous research has tended to concentrate on either positive or negative WOM (Duarte et al., 2018; Huang et al., 2017; San-Martín et al., 2015; Van Vaerenbergh and Holmqvist, 2014; Balaji et al., 2016; Nikbin et al., 2015; Weitzl et al., 2018). PWOM can certainly provide brand awareness and can be the first phase in the purchase decision funnel. Fundamentally, though, brand awareness is the prerequisite phase before WOM. (Chi et al., 2009) stated that when the brand embeds firmly into the mind of consumers, they are more inclined to remember discussions about the brand.

Researchers have found that customers around the globe are increasingly socially aware of how companies sell their goods and services locally and internationally (Auger et al., 2010). Consumer behaviour now involves studying the unit of purchase and the exchange process affecting the purchase, consumption, experience, and the idea itself (Bowen and Chen, 2001, Hsin Chang and Wang, 2011). Within this context, a decision to buy something is, of course,

one of the main parts of consumer behaviour, but consumers buy goods along with services (Moenir, 2010). For these reasons, the purchase decision comprises a problem-solving approach by buying either an item or a service or both, a human activity which includes needs, wishes, information retrieval and evaluation. Advertisers realise consumers' behaviour when shivering their goods (Gumus et al., 2020).

Research of Method

This study determined the good word of mouth had a moderating effect on the relationship between BE and Iraqi customer purchasing decisions. A survey method was used with self-administered questionnaires to collect data. Data is gathered from the different cities of Iraq (Baghdad, Mosul, Basra). The sample size is 204 people. The sample size directly impacts statistical analysis and results (Hair et al., 2013). We used the Judgement sampling approach to collect the data for all variables of this research. Judgment inspecting could be a non-probability testing approach. This procedure depends on the judgment of the analyst when choosing whom to inquire about taking an interest. Analysts, in this way, select a 'representative' test to suit their needs or particularly approach the person with certain characteristics to collect data from easily approached people easily. The developed questionnaire consists of close-ended questions. The questionnaire contains items of the independent variable: BE (Perceived quality, Brand awareness, Brand association, Brand loyalty), Dependent variable: (Consumer purchase decision), Moderator: (Word of mouth). Established scales are employed in the development of a questionnaire for data collection. A 5-point Likert scale was used in this study. Data analysis is the most critical aspect of any research. SPSS and Smart PLS software are used because this study includes moderation of their unique influence on BE and consumer purchase decisions.

Results and Discussion

This study analysed the various aspects of BE, word of mouth and consumer purchase decisions. The items' loadings and average variance were analysed for the convergent validity test. The tests were performed according to the recommendations of the authors of the study. The objective was to find out the reliability of the models of reflective measurement. First, we evaluate the reliability and validity of reflecting measurement models using the PLS method (Fig. 1). All 31 indicators had external loadings of above 0.70 (Table 1), according to our assessment of indicator dependability (Fig. 1).

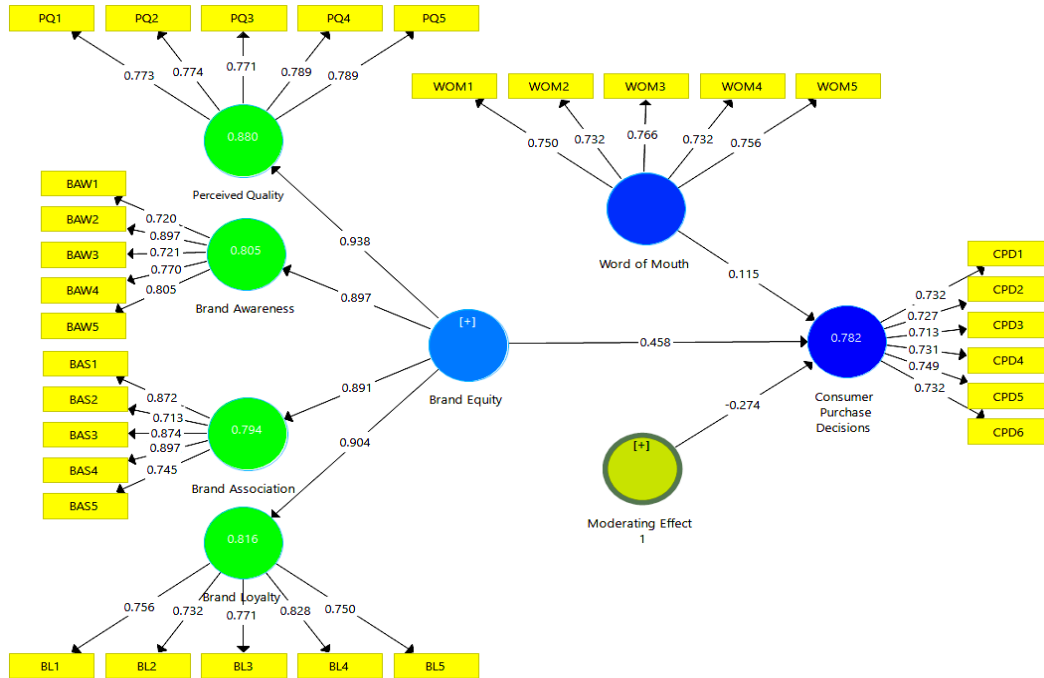


Fig.1 Data Processing Results

According to (Nunally and Bernstein 1978, Bagozzi and Yi 1988, Gefen 2000), reflecting measurement models have composite reliability values of 0.865 and higher (Table 1), indicating that construct measurements have internal consistency reliability. Likewise, as shown in Table 1, all retrieved AVE-Average variance values are more than the 0.65 threshold value, indicating convergent measures.

Table 1 Measurement model

Constructs	Items	Loading	Cronbach's Alpha	Composite Reliability	AVE
Perceived Quality	PQ1	0.773	0.772	0.865	0.683
	PQ2	0.774			
	PQ3	0.771			
	PQ4	0.789			
	PQ5	0.789			
Brand	BAW1	0.720	0.956	0.961	0.675

Constructs	Items	Loading	Cronbach's Alpha	Composite Reliability	AVE
Awareness					
	BAW2	0.897			
	BAW3	0.721			
	BAW4	0.770			
	BAW5	0.805			
Brand Association	BAS1	0.872	0.945	0.950	0.656
	BAS2	0.813			
	BAS3	0.874			
	BAS4	0.897			
	BAS5	0.745			
Brand Loyalty	BL1	0.756	0.983	0.985	0.838
	BL2	0.732			
	BL3	0.771			
	BL4	0.828			
	BL5	0.750			
Positive WOM	WOM1	0.750	0.956	0.898	0.765
	WOM2	0.732			
	WOM3	0.766			
	WOM4	0.732			
	WOM5	0.756			
Consumer Purchase Decisions	CPD1	0.732	0.969	0.906	0.729
	CPD2	0.727			
	CPD3	0.713			
	CPD4	0.731			
	CPD5	0.749			
	CPD6	0.732			

Reliability and Validity Analysis:

Cronbach's alpha (Cronbach and Meehl, 1955) was a popular criterion for evaluation; composite reliability is a precise supplementary measure of internal consistency dependability. The composite reliability of a measurement model was tested to determine its dependability. Researchers use this method to assess the internal consistency of the constructions being studied. The measurement model's dependability was assessed using factor loadings and composite reliability. Acceptable factor loading and composite reliability values are above 0.7 (Nunally and Bernstein 1978). The measurement model's reliability was verified by the factor loading and CR findings.

Convergent and discriminant validity were used to evaluate model validity. The convergent validity of the model was evaluated using AVE and CR; all CR and AVE values must be more than 0.7 and 0.5, respectively. The model's discriminant validity was assessed using the criteria of (Fornell and Larcker 1981). According to this approach, the construct has the most variance among its indicators of any construct. Each construct's AVE value must be higher than the greatest squared correlation with the other construct in order to accomplish this. The discriminant validity of the model was assessed using cross loadings.

Discriminant Validity:

This study looked at the measurement's reliability, convergent, and discriminant validity as mentioned above scale (Table 4). To assess discriminant validity of all variables, researchers used (Fornell and Larcker 1981; Henseler and Ringle, 2009) to compute the square root of the Average Variance Extracted (AVE) that surpasses the intercorrelation of the produced with alternative forms in the model.

To assess the discriminant validity of the ideas, we utilised two approaches. We started by looking at the indicator cross-loadings, which showed no greater laden indication on any of the opposite constructs. Second, we used the (Fornell and Larcker 1981)criteria, which says that the AVE value of each construct must be higher than the total of its correlations with all other constructs. All of the variables' AVE values should be higher than 0.70 diagonally. All values were higher than the usual criterion, as shown in (Table 2), supporting the construct's overall dependability in this research.

Table 2 Correlations matrix of

	Brand Association	Brand Awareness	BE	Brand Loyalty	Consumer Purchase Decisions	Moderating Effect 1	Perceived Quality	Word of Mouth
Brand Association	0.987							

Brand Awareness	0.724	0.938						
Brand Loyalty	0.891	0.897	0.890					
Consumer Purchase Decisions	0.736	0.738	0.804	0.848				
Moderating Effect	0.762	0.750	0.863	0.781	0.823			
Perceived Quality	0.733	0.784	0.875	0.773	0.834	0.796		
Word of Mouth	0.770	0.809	0.738	0.812	0.833	0.780	0.779	
	0.735	0.746	0.835	0.845	0.775	0.788	0.701	0.747

Note: The average variance extracted square root is shown in the diagonal, while the remaining elements are correlation values.

The structural model study of higher-order component task competence focuses on discriminant validity with the other constructs (Hair et al., 2012). Furthermore, the evaluation of the measurement model reveals that all of the construct measures are valid and reliable. We next assessed the structural model's results in light of these findings, concentrating on the hypothesised relationship linkage between the constructs.

Testing Hypothesis

To get estimates for the path coefficients, we perform the PLS-Bootstrapping for the model presented in (table 3) to link the hypothesised connections between the variables. The path coefficient values are constant throughout a range of "-1 to +1," with a path coefficient value "closer to +1" indicating a strong positive relationship and a path coefficient value "closer to -1" indicating a strong negative relationship. A standard error must be achieved when utilising PLS-bootstrapping to test for a significance level, even if route coefficient values closer to -1 or +1 are nearly always statistically significant (Hair et al., 2014).

Table 3 Research model's Path, Path Coefficients, SD, and t-values

Research model's Path	Path Coefficients	SD	t-values
PQ → CPD	0.616	0.054	5.345
BAW → CPD	0.312	0.061	4.063
BAS → CPD	0.454	0.074	3.023
BL → CPD	0.123	0.057	2.056
WOM → BE	0.216	0.065	3.063
WOM → PQ	0.309	0.074	2.243

WOM → BAW	0.125	0.062	3.653
WOM → BAS	0.220	0.079	1.937
WOM → BL	0.302	0.058	5.191
WOM → BE → CPD	0.215	0.071	2.053
WOM → CPD	0.399	0.067	5.926

As demonstrated in (Table 3), all path coefficient values show a strong positive relationship between the constructs instead of a unique relationship. Perceived quality has considerably influence on consumers' purchase decisions as its ($\beta=0.616$, S. D= 0.054 & t-value 5.345). Likewise, brand awareness has noteworthy effect on consumers' purchase decisions with the ($\beta =0.312$ S. D= 0.061 & t- value= 4.063). Brand association has substantial effect on consumer purchase decisions ($\beta = 0.454$ S. D= 0.074 & t- value 3.023). Brand loyalty significantly effects the consumer purchase decisions with ($\beta = 0.123$; S. D= 0.057 & t-value= 2.056). WOM has significant effect on BE with the ($\beta =0.216$ S. D= 0.065 & t- value= 3.063). WOM has significant effect on perceived quality ($\beta = 0.309$ S. D= 0.074 & t- value 2.243). WOM significantly effects the brand awareness with ($\beta = 0.125$; S. D= 0.062 & t-value= 3.653). WOM has significant effect on brand association with the ($\beta =0.220$ S. D= 0.079 & t-value= 1.937). WOM has significant effect on brand loyalty ($\beta = 0.302$ S. D= 0.058 & t- value 5.191). WOM has a moderating role between BE and consumer purchase decisions with ($\beta = 0.215$; S. D= 0.071 & t-value= 2.053). Also, WOM has significant effect on consumer purchase decisions ($\beta = 0.399$ S. D= 0.067 & t- value 5.926).

We utilised Smart-PLS 3.0 to perform the PLS and PLS bootstrapping algorithms to evaluate all hypotheses. Then, with BE as the independent variable, WOM as the moderator, and consumer purchase choices as the dependent variable, we input the independent variables into the model and linked them in a route.

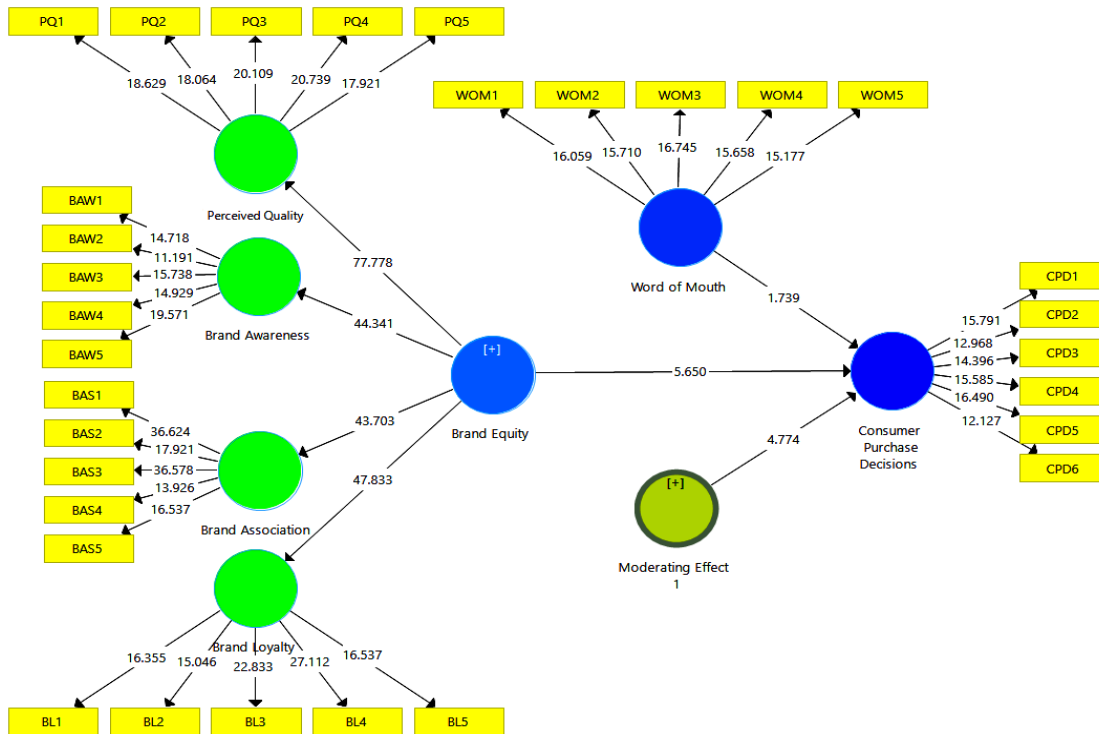


Figure 2: PLS-Bootstrapping of the current study

The influence of BE to improve consumer purchase decisions (CPD) is hypothesised; Also, It is hypothesised that WOM moderates the relationship between BE and consumer purchase decisions. As shown in (Table 2) below, all of the hypotheses have significant p-values, indicating a positive and significant relationship between all of them. These relationships have a direct and significant relationship between the variables, indicating that the hypothesis is supported, as shown in Table 6. In addition, when the moderating variable's impact on the endogenous variable is dependent on the values of another variable, the relationship is moderated (Wilden et al., 2013; Henseler et al., 2010). They evaluate various ways to test moderation in Smart PLS-SEM in their applicability, formative and reflective measures, and statistical power (Wilden et al., 2013; Henseler et al., 2010). WOM moderates the direct connection between BE and customer purchase choices, according to Hypothesis 3. The result indicates that WOM implies a positive impact on consumer purchase decisions ($\beta = 0.215$, t- value= 2.053, p-value = 0.000) (Table 6).

Hypothesis	Path coefficients	t-value	p-value	Expected impact	Decision
H1-1	0.616	5.345	0.000***	+	Supported
H1-2	0.312	4.063	0.000***	+	Supported

H1-3	0.454	3.023	0.012***	+	d Supporte d
H1-4	0.123	2.056	0.000***	+	Supporte d
H2	0.216	3.063	0.000***	+	Supporte d
H2-1	0.309	2.243	0.009***	+	Supporte d
H2-2	0.125	3.653	0.000***	+	Supporte d
H2-3	0.220	1.937	0.001***	+	Supporte d
H2-4	0.302	5.191	0.000***	+	Supporte d
H3	0.215	2.053	0.000***	+	Supporte d
H4	0.399	5.926	0.000***	+	Supporte d

Discussion and Findings

In today's corporate environment, BE is a critical problem. According to experts, establishing strong BE can help companies establish robust distribution networks and increase product brand extensions. Customer purchasing decisions are impacted by the BE of the company producing the product. It includes its reputation over time, marketing practices made available to consumers, and other aspects. This research work aims to explain how these features impact Iraqis' customers to buy products from different companies. This study examines the impact of BE on consumer purchase decisions (CPD), whereas WOM plays its role as a moderator. The relationship between WOM and CPD has been shown to be an essential driver of BE. This research tests the moderating effect of WOM on CPD by examining how it affects changes in intentions for purchase. The moderating role of WOM on CPD is tested using a survey method with self-administered questionnaires. BE is positively connected to customer purchasing decisions. This means that when the perceived value of the brands in a product category increases, it leads to an increase in customer loyalty and purchasing intentions. This effect has been demonstrated over and over by academics, marketing professionals, and business executives. However, many still question if this phenomenon even exists or if it's just a mere correlation. These questions are important for understanding how consumers decide which products they want to purchase and whether WOM is truly responsible for the effects of positive BE. Some researchers have suggested that positive BE results from a product's ability to be successful in the marketplace (Pappu and Quester 2008). In other words, a product's success leads to a positive predisposition toward it. Word of mouth may then amplify this predisposition. The WOM is responsible for the effects of positive BE

This research shows that there is a strong connection between BE and purchaser purchasing choices. Perceived quality, brand awareness, brand association, and brand loyalty have all been shown

to be favourably linked with consumer purchasing choices in our research. The findings show that the four aspects of BE examined in this research (perceived quality, brand awareness, brand association, and brand loyalty) are interconnected. The results show a strong link between perceived quality, brand awareness, brand association, brand loyalty, and good word of mouth. Consumer purchasing choices are predicated on BE and good word-of-mouth. As a result, building good BE is a critical step in improving customer purchasing choices. It may also make customers feel more connected to the brand. The moderating effect of good word-of-mouth on the connection between BE and customer purchase choices is explored in this study. According to the findings, positive word-of-mouth has a moderating impact on the connections between BE and customer purchase choices. WOM moderates the connection between BE and customer purchasing choices favourably. Positive word-of-mouth (WOM) may influence customer purchasing choices, according to the results of this study.

Furthermore, the study results indicate that positive WOM mainly affects Iraqis' consumer purchase decisions through BE and its direct effect. Therefore, the outcomes of this research provide support for the notion proposed by (Chahal et al., 2017) regarding the moderating role of WOM on relationships between BE and consumer behaviour. Finally, the present research identifies several interesting managerial implications concerning optimal advertising strategies. From a management perspective, this research indicates that advertising strategies should focus more on advertising strong brands since positive WOM affects consumer purchase decisions mainly through BE. This study focuses on the moderating effect of WOM on relationships between BE and consumer purchase decisions. The main limitation of this study is that the causal relationship between BE, positive WOM and consumer purchase decisions could not be established due to a lack of longitudinal data. Another limitation of this study is that the present research has used the perceived quality, brand awareness, brand association and brand loyalty as measures of BE. However, other variables can be used to measure BE, such as perceptual quality (quality-in-use), company reputation (company image) and perceived service quality (customer satisfaction). Generally speaking, service brands and product brands can be distinguished based on their structure. Therefore, the research may provide a better understanding if it is conducted using different measures of BE. Finally, the study's findings are limited due to supplementary variables for a more powerful effect on the research hypothesis.

Conclusion

At the moment, businesses are confronted with two simultaneous occurrences that may influence the efficacy of their marketing efforts. On the one hand, WOM has become a strong instrument due to increasing direct communication between couples. Advertising in the mass media, on the other hand, has been questioned since the number of TV viewers and newspaper readers have decreased. In this setting, quantifying WOM becomes even more important, and the author believes that the best approach is to include its impact on marketing productivity models. The author of this article investigates the impact of WOM on two of the most widely used marketing productivity metrics. In the first instance, it's essential to figure out how and for how long consumers would suggest the company's product if connectors or experts are the appropriate people to target for getting new customers via referrals, and how loyal customers act in terms of spreading the word. The author also conducts a literature review to determine if and how WOM affects BE. Finally, the author looked at how WOM affects the model's "consumer-mindset" stage. While the impact on brand awareness may be substantial, the author adds

that future studies should look at how WOM affects brand loyalty and brand association, two critical constructs in BE.

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