

# Word-Of-Mouth Marketing and Customer Retention: Evidence from Samsung Electronics Company

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**Abstract:** *The study looked at whether word-of-mouth marketing improves customer retention or not. While the regressor is word-of-mouth marketing (WOM) and is measure by WOM activity, WOM Valence, volunteering to be a spokesperson for the company, and sharing Information about the firm, the regressed is customer retention and is measured by repeat purchase, referrals, price insensitivity, and non-complaining behaviour. In order to collect data from the target sample of Samsung Electronics Company consumers in Delta State, a survey questionnaire was used in this study's quantitative research approach to evaluate the hypotheses and meet the study's objectives. The instrument was created specifically to carry out this investigation and accomplish the goals of the research. The Statistical package for Social Sciences (SPSS) 23.0 was used to assess 430 valid and trustworthy replies that were received and test the hypotheses using the ordinary least square approach out of the 500 Samsung electronics consumers. The study disclosed that, word of mouth marketing is a major driver of customer retention. As such, the paper submits that, for Samsung Company to thrive in Nigeria, the company should strengthen their interactions and relationships with their customers through word-of-mouth marketing. Contributively, the paper advances the field's understanding of the importance of word-of-mouth marketing in boosting consumer satisfaction and maintaining long-term connections with them.*

**Keywords:** Word-of-Mouth Marketing, Customer Retention, Samsung Electronics Company

## 1. INTRODUCTION

Over time, it has become extremely difficult for businesses in the telecom industry to maintain their present clients as they continue to switch quickly from one product to another as competition in the sector grows owing to technological improvements and deregulation. Companies have therefore turned to cutting their entire operational costs. Word-of-mouth marketing is one such strategy for lowering their overall costs while insuring the retention of their current clientele. This strategy has caused marketers to switch from a long-term relational focus to a short-term transaction focus approach. The claim made here is that businesses today will only be successful if the majority of the general public is aware of their product offers.

Historically, Word-of-Mouth Marketing (WOM) has been a very important and effective kind of communication and it has also shown to be a very efficient marketing technique (Ahmad, Yaseen, Khan, & Adnan, 2021). WOM has grown in significance in recent years in terms of communication and CUR for two reasons: first, it is one of the best types of advertising for enhancing brand awareness, loyalty, and sales, all of which contribute to CUR. Second, a revolution in information and communications technology that reduces the distance between people in both space and time has increased WOM's influence at the same time (Afthanorhan, Awang, & Aimran, 2020). WOM is an oral, one-on-one interaction involving a brand, product, or service that takes place between a communicator and a recipient and is seen by the recipient as non-commercial. A business like Samsung Electronics communicates with its clients or target market in order to effectively sell its goods and services. Lack of or poor communication will probably cause the market to be unaware of the company's goods and services. Every action a firm takes is considered to be a type of market communication in some way. Marketing communication is the term used to describe this process of communication between businesses and consumers (Agarwal, Mehrotram, & Misra, 2022).

The WOM marketing approach helps in the communication message that travels from the customer to the business. Business executives and marketing experts concur that WOM-driven consumer interactions have a significant impact on customers' retention (Al-Hazmi, 2021). Businesses utilize WOM in an effort to catch consumers' attention, increase brand and product awareness, and persuade consumers to buy their goods and services. WOM is thought to have an impact on up to 80% of total customer retention (Alshurideh & Al Kurdi, 2020). The comeback of WOM has highlighted the need for businesses to more thoroughly comprehend WOM and its causes. The market shift from mass communication to interpersonal communication, as well as the growing importance of digital media in marketing communications, has all contributed to this. WOM may be honed and fueled like any other marketing activity, thus it's critical for businesses to be aware of the marketing channels and media that can fuel it (Alkitbi, Alshurideh, Al Kurdi & Salloum, 2020).

According to earlier studies, the most effective tool that businesses have to speed up consumer decision-making is WOM (Al Kurdi, & Alshurideh 2020). When making difficult judgments about their purchases, most customers participate in WOM (Alsharari & Alshurideh, 2020). When making decisions, businesses must recognize and comprehend how WOM affects their target market. WOM is used by customers to spread brand and product messaging among one another. To increase sales and keep customers,

businesses must work to understand and use WOM efficiently (Alshurideh, 2019). Additionally, internet enterprises are the ones that have gained the most from this marketing strategy. For instance, in a recent interview with Jeff Bezos, the CEO of Amazon, he expressed his opinion that despite how effective television advertising is, the company does not engage in it and instead spends all of its money on extras like free Supersaver shipping. This suggests that if you create a positive customer experience, people will talk about it (Alshurideh, 2022).

More specifically, Samsung Electronics' use of the WOM promotional tool is essential to the success of its marketing plan. Samsung Electronics has succeeded to position itself as the pinnacle of style and design and aspires to rule the whole South African consumer electronics market (Gong, & Yi, 2018). Samsung Electronics entered the market for mobile devices as a result of its success in other electronic device segments. In South Africa, Nokia and Blackberry controlled the mobile device industry, but in a short period of time, Samsung unexpectedly overtook Blackberry to tie for first place with a market share of 23%.

From the foregoing exposition, the major thrust of this paper is that, despite the fact that academic research on word-of-mouth marketing and CUR has drawn a lot of attention, the majority of scholars and practitioners have relied on evidence from studies on fast-moving goods and more specifically from the perspective of developed economies to draw conclusions about services in least developed economies. However, relationship marketing and customer loyalty are context-specific (Hair, Matthews, Matthews, & Sarstedt, 2017; Kim, Choi, & Verma, 2017). In a context of least developed economies, there is still a dearth of data on what motivates consumer loyalty. As a result, the study will help us better understand how word-of-mouth advertising affects customer retention in the Nigerian setting. Once more, by focusing on Samsung Products, the study fills in the information gap identified in existing empirical material. The study also compared the results obtained from developed countries with those obtained from rising nations like Nigeria, which added to the empirical material already there.

## **II. LITERATURE REVIEW**

### **2.1. Word of Mouth Marketing and Customer Retention**

In recent time, both the idea of WOM and customer retention (CUR) has recently grown in importance in the world of marketing, especially in the area of customer relationship management. CUR, according to Oliver (2017), is a "strong commitment to ensuring that existing customers continuously repurchase or use a chosen product or service. According to Kumar (2021), CUR is a "zero defection (non-stitching) approach" used by a business to prevent its most valuable (profitable) consumers from purchasing its rivals' products. CUR was defined by Menon and O'Connor (2017) as a company's long-term strategy to hold on to its current clientele. As a result, maintaining existing customers' loyalty to the business is a hallmark of CUR strategies. If businesses do not go above and beyond their greatest expectations, customers will switch to other suppliers and, eventually, change their minds based on the product's quality and services acquired from competitors. However, in order to win customers' loyalty, businesses must think beyond their customers' expectations.

According to Lyubomirsky, Tkach and DiMatteo (2016), the following CUR tactics are used by contemporary firms to keep their most valuable clients: customer acquisition, increased firm profitability, and word-of-mouth advertising. However, the focus of this study is on word-of-mouth advertising. The claim is that if a consumer is happy with a company's product offers, that customer's likelihood of defecting will probably decline. Consumers who are happy with a company's product offers are typically less likely to complain than consumers who are dissatisfied with the company's product offerings. This shows how important word-of-mouth marketing is to keeping customers. Overall, positive word-of-mouth promotes consumer recommendations, which in turn expands a business's clientele (Lin, Gursoy, & Zhang, 2020).

Conceptually, the term word of mouth marketing is viewed as either oral or written recommendation by a satisfied customer to the prospective customers of a good or service. It is therefore a cost efficient promotional tool. More so, it is a good way for companies to get new customers and at the same time retain existing customers. Specifically, WOM can either be positive or negative. Accordingly, positive WOM dispel skepticism, delight clients, and may even create a switching barrier by preventing them from severing the connection. It increases consumer trust in the business and its offerings and gives them the impression that they made the right decision. It makes sense that businesses will increase customer loyalty by encouraging customers to spread the word about their offerings. As a result, brand switching is reduced the more favourably customers comment about the business and its products. However, this is not so in the case of a negative WOM. This is because, in the later, brand switching is high while customer loyalty to the firm is very low. This is most evident wherein the company product offering do not match customer specifications.

### **2.2 Theoretical Underpinning**

The Social Exchange (SEG) Theory was used to underpin the study. Specifically, the concept of social exchange has been applied to consumer interactions (Kumar, Paul, & Starevi, 2021). In order to better understand WOM and customer retention, SEG theory has emerged as the major influential ideas (Lin, Gursoy, & Zhang, 2020). Therefore, it is a suitable theoretical lens through which

WOM can be examined in the context of customer retention. Because WOM communication involves customers' free activities, prior research implies that, it is a SEG (Prentice, 2019). According to theory, interactions between customers are frequently based on a cost-benefit strategy that is implicit (Kumar, 2021). Also, a consumer may contribute knowledge and experience about goods and services out of a sense of future gain from the contributions made by other customers. Participation has previously been examined using the social exchange theory, particularly how WOM affects CUR (Soliman & Kamel, 2021). However, the theory has not been utilized to its full potential because to prior research failing to acknowledge the multidimensional nature of trust, a crucial construct in SEG theory (Lin, Gursoy, & Zhang, 2020).

Consequent upon the above debates, a conceptual framework was developed (see Figure 1).

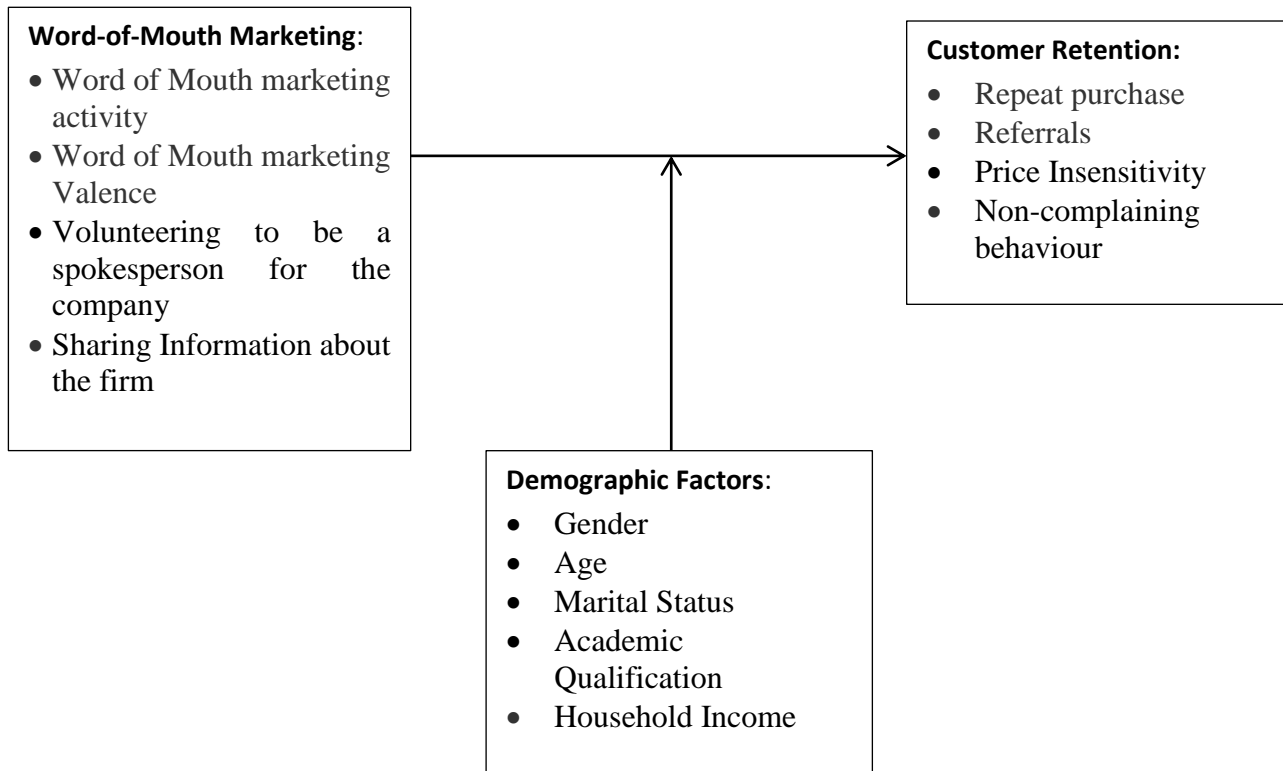


Figure 1: Word-of-Mouth Marketing and Customer Retention

Source: Researcher's Conceptualization (2023)

The framework affirmed that, marketing and customer retention. We further argue that WOM, according to a number of authors, affects how new customers find and buy things. For instance, Lyubomirsky et al. (2016) noted in their research that the WOM associated with a service plays a significant influence in expressing consumer reviews and opinions. On the other hand, the studies found a link between WOM and customer loyalty and made the recommendation that the WOM should be aware of the services to keep customers who are loyal (Agarwal, Mehrotra, & Misra, 2022). A deeper investigation of this link is more necessary for fresh insights as there has been minimal attempt between WOM and customer retention in the services. The duration and emotions that customers exhibit while discussing a service or product were discussed in the studies, and this connection to customer pleasure would contribute to retention and prevent customers from considering switching to another service provider (Thomas & Millar, 2017). The empirical research revealed an association between the WOM and a person's behavioral-related results, which added a rigorous understanding of the relationship between WOM and retention. Customer satisfaction is also affected by the discussion of the facilities that provide customers with regular opportunities for various types of purchases (Prentice, 2019).

Furthermore, the impact of WOM on customer satisfaction in the retail sector was studied by Ltifi and Gharbi (2015). In order to increase long-term profitability and pinpoint the influencing variables that would encourage sustainable consumption and customer satisfaction, CRM focuses on the long-term relationships through WOM between businesses and their customers (Dragnea & Mihăiță, 2020). In their study with a bad relationship, Al Kurdi, Alketbi, and Alshurideh (2020) submitted that, throughout the major communication, customers do not choose to repeat an experience with little level of enjoyment and instead consider quitting and looking for another option. Lastly, Alsharari and Alshurideh (2020) reported that, customer retention has a strong and positive association with WOM, making customers an important asset for all businesses.

### III. METHODOLOGY

Participants were Samsung Electronics Company consumers in Nigeria's Delta State. The study used a technique called purposeful sampling. 500 Samsung electronics consumers from ten (10) different local governments in the state were each given a self-administered survey by hand. Out of the 500 questionnaires issued, 430 were completed and returned by respondents, while 18 were rejected because of inaccurate answers.

The independent variable and the dependent variable are the two relevant variables. The independent variable, word-of-mouth advertising, was assessed using four (4) variables: word-of-mouth activity (the likelihood that a person will engage in word-of-mouth advertising), word-of-mouth marketing valence (the likelihood that a person's word-of-mouth advertising will be positive or negative), volunteering to be a spokesperson or street ambassador for the company, and sharing information about the company. The dependent variable, on the other hand, is customer retention, which was quantified by repeat business, recommendations, a lack of price sensitivity, and non-complaining behavior.

choosing the OLS approach using the eview program for data analysis. Furthermore, the validity and reliability tests included in the OLS technique aid in the study's examination of these crucial construct characteristics that show if the measurements can accurately capture the variables that the study is attempting to measure. Descriptive statistics and correlation analysis, however, are also provided in the study. The former checks the model's validity and reliability, while the latter looks at the strength and direction of correlations between the regressor and the regressed data.

### IV. RESULTS AND DISCUSSIONS

#### 4.1. Model Measurement Appraisal

To ensure that, the research instrument is reliable, both the Composite Reliability and the Cronbach Alpha were conducted (Afthanorhan, Awang, & Aimran, 2020). The cut-off point as suggested by is 70%. This suggests that, if the items of the questionnaires are above 70%, it connotes that, such particular item in the questionnaire is reliable. However, it is below 70%, it connotes that; the item in the questionnaire is not reliable. Meanwhile, to check whether the measurement model of converge (shows presence of internal consistency). The rule is that, for an item to be reliable, it must be between >0.50 to >0.60.

**Table 1:**

*Descriptive Statistics, Validity, and Reliability Test*

Constructs	Items	Mean	STD	FRL	VIF	COR	Alpha	AVE
Word-of-Mouth Marketing	Q1	3.61	0.63	0.742	1.69	0.861	0.790	0.610
	Q2	3.68	0.61	0.752	1.43			
	Q3	3.65	0.74	0.798	2.10			
	Q4	3.63	0.79	0.804	1.10			
Customer retention	Q5	3.60	0.71	0.738	1.44	0.897	0.860	0.635
	Q6	3.65	0.72	0.800	1.62			
	Q7	3.78	0.79	0.818	2.12			
	Q8	3.69	0.89	0.813	1.78			

FL: Factor loading (FRL); Standard deviation (STD); Composite Reliability (COR) & Variance inflation factor (VIF)

Source: E-Views Version (2023)

The results revealed that, all the research items of word-of-Mouth Marketing and CUR strategies are reliable and valid. Also, the VIF reported values that are below 10. This suggests that, the entire item that are devoid of multi-collinearity. This further suggests that, the research instrument used for the study is fit for prediction.

4.2. Correlation Analysis

Correlation analysis was used to identify the degree and direction of correlations between the regressor and the regressed. The correlation analysis is presented in table 2:

Table 2:  
Correlation Analysis

VARIABLES	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8
Q1	1							
Q2	.834**	1						
Q3	.601**	.813**	1					
Q4	.560**	.819**	.719**	1				
Q5	.869**	.710**	.917**	.762**	1			
Q6	.433**	.538**	.599**	.623**	.537**	1		
Q7	.514**	.647**	.674**	.544**	.649**	.447**	1	
Q8	.627**	.741**	.548**	.614**	.665**	.764**	.580**	1

\*\* means 1% level

Source: E-Views Version (2023)

There was also a significant and positive correlation between WOM and CUR ( $r = .834$ ;  $p\text{-value} < 0.01$ ). This means that a positive change in WOM will result in a positive change in CUR. When customers speak positively about a company and its services/products, then customers are likely to be loyal to Samsung Company.

4.3. Regression Estimate

In order to determine the effect of regressor (word-of-mouth marketing) on customer retention, we performed regression analysis. The regression estimate is presented in table 3:

Table 3:  
Hypotheses Testing

Hypotheses	Beta	T-value	P-value	Results
H1 Word of Mouth marketing activity → Repeat Purchase	0.6093	5.8525	0.0000	Supported
H2 Word of Mouth marketing Valence → Referrals	0.8105	5.1959	0.0000	Supported
H3 Volunteering to be a Spokesperson or Street Ambassador for the company → Price Insensitivity	0.6671	3.2787	0.0015	Supported
H4 Sharing Information about the Firm → Non-complaining Behaviour	0.3616	6.8507	0.0000	Supported

Dependent Variable: Customer Retention

$R^2 = 0.6819$ ; Adj.  $R^2 = 0.6713$ ; Durbin-Watson Stat. = 1.9456; F-statistics = 13.357605;  $p\text{-value} = 0.0011$

Source: E-Views Version (2023)

The results given in Table 3 showed that, word-of-mouth marketing jointly had a high statistical significant effect on customer retention. This reveals that, word-of-mouth marketing increases the likelihood that, customers would stay glue to Samsung products to a great extent. This further reveals that, word-of-mouth marketing is a major cost reduction approach that, the Samsung company can use to strive in the Nigeria. Further, the model reported  $R^2$  value of 0.6819 and Adj.  $R^2$  value of 0.6713. This implies that, the

model has a high predictive power. In like manner, the Durbin-Watson Stat of 1.9456 suggests that, the model is devoid of serial (auto-correlation).

Again, the study reaffirmed that, Word of Mouth marketing activity had a positive (coef=0.6093) and significant (p-value=0.0000) effects on repeat purchase (customer retention). This further suggests that, Word of Mouth marketing activity was above to improve repeat purchase by 60.93%. Meanwhile, Word of Mouth marketing Valence had a positive (coef=0.8105) and significant (p-value=0.0000) effects on referral; Volunteering to be a Spokesperson or Street Ambassador for the company had a positive (coef.=0.6671) and significant (p-value=0.0015) effects on price insensitivity; & Sharing Information about the Firm had a positive (coef=0.3616) and significant (p-value=0.0015) effects on Non-complaining Behaviour. This further suggests that, word of mouth marketing Valence increase customer referral by 81.05%; volunteering to be a Spokesperson or Street Ambassador for the company raise price insensitivity by 66.71%; & sharing information about the firm increases non-complaining behaviour of customers by 36.16%. Consequently, the respective results are in support of hypothesis H1, H2, H3, H4, and H5.

## V. IMPLICATION OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The study disclosed that, word of mouth marketing is a major driver of customer retention. By implication, customers tend to build collective conscience to buy a service on recommendation by others in society and can only remain committed to such product due to word of mouth marketing. Another practical implication of this study is that, it evidence that the investment in word of mouth marketing is highly instrumental to achieving higher customer retention. Moreover, this study supports the claims of contemporary marketing scholars on the contributive roles word of mouth marketing has on customer retention. Hence, the study confirms that word of mouth marketing is not only a philosophy but a cost reduction approach targeted at reducing customer turnover rate. As such, the paper submits that, for Samsung Company to strive in Nigeria, the company should strengthen their interactions and relationships with their customers through WOM. Again, for Samsung to strive in Nigeria ensure that, their customer's repeat purchase, referrals, price insensitivity, and non-complaining behaviour are sustained.

### 5.2. Study Limitations and Further Research

The study focused extensively on Samsung customers. Although, Samsung Company produces different products, the study focused mainly on mobile phones produced by Samsung. As such, applying the outcome of this study to other companies in the industry should be done with caution. In this regards, future researches should be done on the impact of WOM on customer retention in the telecom industry as a whole.

Another area of interest lies in expanding the geographical scope of future studies. This is because; both location and geographical advantages are critical factors which influences customer repeat purchase. Justifiably, demands for telecom product are more in cities than in rural areas since the latter is faced with network issues.

Lastly, there is need for future researches to examine the moderating roles of situational factors (technical hitches) such as vendor lock-in, inability to tap/access other networks, absence of efficient (viable) alternatives among others on both word of mouth marketing and customer retention.

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