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## Electronic Word of Mouth (eWOM) Strategies for the Growth of Digital Business in Small-medium Enterprise (SME)

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### Abstract

Small and medium-sized business expansion is a dynamic process of development. It grows despite many alterations that exceed its organization, resources, and skills, as well as market demands. Its operations mostly leverage gaps in niche markets and integrate resources. Small and medium-sized businesses can rely on digital platforms to efficiently execute regulations and achieve faster growth in the Internet environment, but consumer and public evaluation is a crucial element in assisting the development of businesses. Consumers and the general public use Internet resources to publish information about businesses, products, and services. The electronic word-of-mouth generated by these evaluation effects not just the purchasing behavior of consumers, but also the enterprise brand value. The influence of electronic word-of-mouth is evident throughout the development of small and medium-sized enterprises. This study examines the mechanism of electronic word-of-mouth and focuses on the application strategy of electronic word-of-mouth in the evolution of small and medium-sized businesses.

**Keywords:** Electronic Word of Mouth (e-WoM); Small Medium Enterprise; Digital Business Strategies.

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## **1. Introduction**

With the expanding number of SMEs, management experts and entrepreneurs are concerned about how to continue their growth. In the Internet era, digitalization is becoming increasingly important in fostering corporate development. Small and medium enterprise face more challenges as internal and external enterprise resources are constantly iterated. Companies who fail to adapt may be forced to abandon the market and go bankrupt. As a result, the purpose of this research is to define the important features of SME from the standpoint of enterprise growth, as well as to examine the function of electronic word-of-mouth in the growth of SME. This research suggests techniques for small and medium-sized businesses to enhance development through electronic word-of-mouth.

## **2. Literature Review**

### ***2.1 Related Theory***

Numerous studies have been conducted on the theory of enterprise growth. A study of the relevant literature reveals that the majority of existing related studies are based on the concept of fundamental resources or core skills and the theory of life development. The former are growth theories based on the "endogenous" nature of businesses, which mostly disregard their humanistic aspects [1]. In fact, small and medium-sized enterprises are constantly faced with the difficulty of maximizing profits while also pursuing growth, and unbalanced growth characteristics exist during all phases of their existence. Consequently, the expansion of small and medium-sized businesses follows a regular life cycle of growth and is not completely separate from it. It can develop naturally if it is independent of the external environment and resources, and it must be transformed into growth at different stages using a variety of techniques.

### ***2.2 Cyclical growth of SME***

Mason Haire's (1959) proposed the term "business life cycle", claiming that enterprise development paralleled the growth curve of living organisms. There are approximately 20 distinct enterprise life cycle theories, with the bionic evolution theory of enterprise life cycle, life cycle stage theory, life cycle attribution theory, and life cycle game theory being the most prevalent [2]. When domestic students researched the company life cycle, they observed that influential academics contribute to the success of enterprises. According to their research, a company's life cycle consists of six stages: gestation, survival, high growth, mature, recession, and metamorphosis. [3]. It is evident that small and medium-sized enterprise growth is the most cyclical, and the second rebirth from recession to transformation warrants further study.

Each stage of the cycle will be confronted with varied issues and even crises; thus, how can SMEs surmount each survival obstacle? To ensure healthy growth, enterprises reliant on vital resources must be aware of their external surroundings and adapt swiftly. By combining external resources and endogenous power, small and medium-sized enterprises can achieve long-term growth. Small and medium-sized enterprises, on the other hand, lay too much emphasis on internal power and strengthen it, which is not always acknowledged by the market. Similarly, small and medium-sized enterprises want to function in isolation from the outside world. This

essay compares a business to a living organism capable of "internal and exterior action." Environmental resources from the exterior can be absorbed and passed on.

Using the evolution of a living organism to show changes in enterprise development, it has been discovered that enterprise growth is fundamentally distinct from biological traits and that the enterprise system is created by humans [4]. The enterprise is alive because it has the vitality to trade people, money, material, and knowledge with the outside world, as well as the capacity to withstand a variety of external disturbances, consciously adapt, self-coordinate, and seek regeneration. To thrive, businesses must adapt to their environment. And because sustainable operation is the core value of its existence, the pursuit of expansion while avoiding immortality.

### ***2.3 Business Transformation of SME***

Reframing, Restructuring, Revitalization, and Renewal are the four primary therapies included in the biological transformation paradigm, commonly known as the "four aspects of change." [5]. Domestic research on "business organisms" reaches similar results, but only views the transition of enterprises into long-term growth as the regeneration mechanism once the enterprise declines; other phases of the enterprise growth cycle are not discussed. However, both local and international research has demonstrated that each enterprise is an individual. Under the combined pressures of self-selection and environmental influence, the enterprise develops its own personality, and its demise is not inevitable. For the living organism constituting a "biological legal person" The secret to immortality rests in a creature's ability to modify its entire system synchronously and pursue the same objective simultaneously. Transformation and expansion of businesses, as outlined in this study, exist at all phases of the enterprise growth cycle. Thus, in this paper, the transformation of small and medium-sized businesses into growth refers to attaining competitive advantages through the implementation of dynamic capabilities and achieving sustainable development based on internal and external resources and environments at all stages of the enterprise life cycle.

### **3. Methodology**

A systematic literature review has been conducted to provide a detailed analysis of existing literature on the Electronic Word of Mouth (eWOM) Strategies for the Growth of Digital Business in Small-medium Enterprises (SMEs). Firstly, this study has implemented the PRISMA 2020 guideline [6]. It is based on the PRISMA 2020 flow diagram for new systematic reviews, which includes searches of databases.

We used quantitative analysis, using "topic + abstract + keywords" to search in the Scopus-indexed database. We examine the research that has been done in relation to SMEs and what still needs to be investigated in light of the use of electronic word of mouth strategies in this area. We analysed 133 research papers from the Scopus database that were published between 1995 and 2022. We then classify the strategies used through WoM and identify different types of impacts of the WoM on SME that will be discussed below.

### **4. Results and Discussion**

#### ***4.1 The Influence of Electronic Word-of-Mouth on the Growth of Small and Medium-Sized Enterprises***

The rights of the buyer's market are becoming increasingly important with the advancement of social media. Through numerous channels, market consumers can compare products before purchasing and assess products after purchasing. Word of mouth (WoM) has an impact on an enterprise's profitability, brand value, public image, and stock market value. It is accompanied by the entire process of enterprise growth. Consumers may now receive product information, including other people's experience, reviews, and so on. Many factors influence customer purchasing behavior, the most important of which is word-of-mouth marketing of items, and this information is actively collected by consumers.

Small and medium-sized enterprises should embrace the chance of Internet marketing, and encourage the development of enterprises with the characteristics of speed, wide range, and independent communication. The current research topic of small and medium-sized enterprises is how to use the e-word-of-mouth marketing communication channel strategy suitable for enterprises.

The impact of electronic word of mouth can be divided into two categories: the impact on the general population and the impact on businesses. Through attention and trust, the public's influence can indirectly affect the growth of businesses. The impact of resource goods on business includes brand equity, customer purchasing decisions, and sales success all have a direct impact on business growth.

#### ***4.2 The Impact of Network Attention on Corporate Growth***

Electronic word-of-mouth refers to favorable or bad remarks about businesses, products, or services that consumers post on the Internet and propagate to other consumers. When compared to traditional word-of-mouth, electronic word-of-mouth has a greater impact (Villanueva and his colleagues 2008). Word of mouth (WoM), defined as a favorable or negative consumer appraisal of a company, product, or service, has significant marketing influence and commercial worth. Its impact extends far beyond newspaper marketing, personal selling, and commercial advertising [7], but traditional word-of-mouth only works in a small network of friends, relatives, or coworkers [8].

The importance of electronic word-of-mouth in assisting small and medium-sized businesses to develop can be seen in two ways: First, more online attention reduces enterprise funding limits, improving enterprise growth capacity. For example, enterprise growth theory emphasizes the relevance of financial resources in enterprise growth. Reference [9] demonstrated that enterprises have varied financing techniques at different periods of their life cycle, and that the knowledge, assets, and other circumstances faced by enterprises at different growth stages will affect them. At each step, the capital structure is different. Some research has also demonstrated that information and communication technologies, as well as network attention, can assist small businesses in overcoming resource limits and improving corporate performance. That is, if there is a high level of interest from outside the enterprise after various types of information about the enterprise are unearthed, the transparency of the information will be higher, which will help shareholders and creditors strengthen their willingness to inject capital into the enterprise. The enterprises with low attention flow into the enterprises with high attention, alleviating the enterprises' finance limitations [10]. Enterprises at the start-up stage confront substantial information asymmetry issues, and most face tight funding constraints, resulting in higher capital

expenditures. The growth in network attention reduces information asymmetry. More and more investors can learn more about the target company and then raise their investment in the company, easing the company's financing limitations to some extent. The problem of information asymmetry has been reduced for established enterprises, whose own finances are generally ample, and their financing demands have diminished [10]. As a result, external attention has less of an impact on funding restrictions. In terms of credit financing, commercial banks can provide more credit opportunities after recognising enterprises with good qualifications as network attention increases.

The organization can lower the degree of financial limitations of enterprises by effectively allocating funds, consequently boosting enterprise production and operation efficiency and performance. Second, more network attention raises the cost of corporate defaults, lowers corporate defaults, and boosts corporate growth. The causes influencing corporate infractions are numerous and complex. The negative externalities of corporate infractions are clear, affecting not just the interests of investors, but also the normal growth of businesses. According to the findings of [11], there is a regional "same group effect" in the breaches of listed businesses, which enhances the likelihood of violations by other companies in the same region. Corporate infractions, on the other hand, will be suppressed in the presence of external oversight effects. To some extent, internet attention has played a role in external supervision and incentives. Once a corporation is exposed to the public eye, the Internet monitors new patterns in corporate development and investment decisions, as well as executives' personal behaviour and job changes. External supervision and reports can serve as a strong psychological disincentive to enterprise management, not only by preventing the spread of infractions, but also by correcting the violations of other enterprises. The reduction in the likelihood and frequency of violations by enterprises will restrict the short-term profit-seeking space of enterprises, but it will progressively compel enterprises to create greater room for enterprise growth through proper channels.

#### ***4.3 Direct Impact***

The influence of brand equity is reflected in the impact on customer perception. The fact that electronic word-of-mouth communication is anonymous makes the communicator feel less social pressure, which in turn makes them more willing to share genuine information, whether it be positive or negative. This leads to an improvement in communication quality, which in turn can have an effect on consumers' attitudes toward brands, their intentions to make purchases, how they re-disseminate information, and other factors [12,13]. Reference [14] utilised the automotive industry as an example and discovered that electronic word-of-mouth may significantly affect customers' brand image perception and purchase intent. Furthermore, electronic word-of-mouth in the form of product reviews and information feedback might compensate for knowledge asymmetry and reduce customer risk perception. Online reviews can assist consumers in making offline selections [15].

#### ***4.4 Strategies of Application of Electronic Word-of-Mouth***

##### ***4.4.1 Passive electronic word-of-mouth***

Passive electronic word-of-mouth management and active electronic word-of-mouth marketing are two distinct

electronic word-of-mouth management tactics that SMEs can use. According to the consumer interaction model, electronic word-of-mouth is formed spontaneously among customers, and interaction frequency between consumers is increased in the online environment. It is more difficult for businesses to manage the transmission of positive or negative word-of-mouth. However, as market rivalry has increased, marketers' initiative has begun to be recognized. Both the marketer influence model and the marketer-consumer joint influence model think that corporations can influence other customers by finding and employing influential consumers; however, the latter stresses the initiative of marketers.

Customer satisfaction is a predetermined variable of positive word-of-mouth communication [16]. As a result, the main strategy of businesses is to aim to improve customer satisfaction, consequently increasing positive word-of-mouth communication or decreasing negative word-of-mouth communication. In actuality, however, satisfied customers may not necessarily convey positive word of mouth to others, and positive word of mouth will only occur when consumers' pleasure reaches a high level. Consumers are generally satisfied with product quality, and a positive corporate social responsibility image can significantly boost consumer contentment [16]. As a result, an increasing number of businesses are focusing on establishing a corporate social responsibility image. Socially responsible marketing, such as charitable giving or environmental protection, has also become an essential marketing approach.

The perception of social responsibility will affect companies' reputation and brand image, which will subsequently effect consumers' product purchase intention and word-of-mouth communication behaviour [17,18].

#### ***4.4.2 Active electronic word-of-mouth marketing***

The active e-WOM marketing tactics mentioned in the existing literature mostly comprise e-WOM recommendation reward plans, network opinion leader discovery, and online assessment sentiment analysis. The first is the e-WOM referral reward scheme. E-Word-of-mouth referral programme refers to the fact that businesses encourage existing customers to offer other consumers on the Internet by providing various forms of rewards.

For instance, customers may be required to refer a friend to sign up or make a purchase. They may be required to publish product information onsite in order to draw in new customers and guarantee a specific number of pageviews or replies. Currently, most research on e-WOM recommendation incentive programmes focuses on how businesses manage e-WOM senders and identify them, as well as how to best implement compensation schemes [19,20]. Finding influential internet voices is the next stage. Online opinion leaders often have high standing within the online community, have the ability to successfully share product assessment information with other community members, and have some degree of influence over other community members' purchasing choices. By locating influencers and enticing them to try out things, businesses may boost sales. Reference [21] developed an evaluation mining model using opinion mining technologies to determine the effect of online evaluators before using this model to identify influential evaluators.

Finally, sentiment analysis of internet evaluations. Sentiment analysis is the practise of analysing the language content of product evaluations to determine consumers' opinions toward items. To enhance product quality and services, manufacturers and distributors can mine and analyse product evaluation information on the Internet to comprehend consumers' feedback on their products or services, as well as consumers' judgement of the differences between themselves and their rivals. When posting written reviews on Amazon.com, for example, users are encouraged to use the number of asterisks to signify the equivalent rating level [22]. At the present, online sentiment analysis is becoming more popular, with tools and approaches from information retrieval, natural language processing, text mining, statistical processing, and other fields being used. However, research in this area is still in its early phases.

The second strategy is the channel communication strategy. With the popularity of the Internet and the rapid development of e-commerce, consumers prefer to purchase online at sites such as Taobao.com. Positive consumer feedback will influence following buyers' purchasing decisions, reflecting internet word of mouth. As a result, small and medium-sized businesses should increase communication between customer service and consumers, as well as guide the positive propagation of Internet word-of-mouth. Furthermore, for newly listed enterprise products, small and medium-sized enterprises can participate in free experience activities to allow consumers to provide feedback and review.

## **5. Conclusion & Future Recommendation**

Small and medium-sized companies are facing increased market competition. Businesses must address how to harness electronic word-of-mouth marketing to increase market share while simultaneously enhancing user experience and reputation. Electronic word-of-mouth marketing communication should be carefully evaluated when establishing channels and communication methods. The most effective strategy should be used to enhance the enterprise's brand image and promote its growth. This study aim to serve as a guide for small and medium-sized enterprises' selection of Internet word-of-mouth marketing communication methods.

Increasing online attention significantly contributed to the expansion of businesses. The network has no influence on the growth of enterprises in the mature or declining stages of the enterprise life cycle. However, the increased network attention has a substantial impact on the growth of enterprises in the growth stage. However, the effect of online attention on business growth varies according on the sort of business, its location, and its industry. From the perspective of enterprise type, the influence of Internet attention on the growth of private enterprises is greater than that of state-owned enterprises. From the perspective of geographical characteristics, the growth of enterprises in the eastern region is more influenced by Internet attention than the growth of enterprises in the central and western regions. Compared to non-high-tech businesses, network attention has a bigger effect on the growth of high-tech businesses. According to a supplementary study, the intermediary channels through which Internet attention contributes to enterprise growth alleviate growth-stage corporate finance limitations and reduce default risks. Nonetheless, in the digital economy, small and medium-sized enterprises actively integrate into numerous business models spawned by the mobile Internet, and the internal mechanism of the electronic word-of-mouth effect generated by the influx of online attention is exceedingly complex.

Existing studies on the mechanism of electronic word-of-mouth influence generation focus primarily on the social-psychological mechanism of electronic word-of-mouth influence generation, and they all rely on social psychology research findings. Consumer psychology is to explore the disparities in the impact of electronic word-of-mouth on different individuals. Future research may focus on three areas of consumer psychology: Consider first cognitive psychology. Individuals with less cognitive requirements are less likely to process information. As a result, the quantity of electronic word-of-mouth is more likely to affect it, and because individuals with high cognitive demands are more willing to spend more cognitive resources, the quality of electronic word-of-mouth information has a greater effect on them. There is also personality psychology. A person's consumption behaviour

Second, perform study on unfavorable e-WOM crisis management. Brand-damaging incidents caused by poor product quality occur frequently in countries with immature market systems, causing enormous harm to society and customers. caused huge losses Existing research focuses mostly on the control of word-of-mouth in conventional domains, with few studies focusing on the Internet environment. In the future, scholars must perform extensive research on the crisis management of negative electronic word-of-mouth.

Third, evaluate the credibility of positive electronic word of mouth. E-WOM can provide consumers with product information adapted to their specific need. It entails evaluating the dependability of information because it can provide information. Which is more beneficial for businesses: positive information just or positive and negative information? Internet commerce is substantially affected by electronic word-of-mouth. Make or force consumers to change their negative comments, which increases the spread of online positive word of mouth but also the spread of offline negative word of mouth; in addition, some online stores disregard dealers' social responsibility and publish a large number of false comments on online platforms.

To explore the credibility of positive e-WOM and the means through which enterprises might enhance its credibility. There is research on the impact of electronic word of mouth on localisation, which is the fourth point. China first successful online transaction occurred in March 1998, marking the beginning of e-commerce in China. With the growing popularity of the Internet in China and the expansion of the rural market, online shopping will accelerate, and the influence of electronic word-of-mouth on Chinese consumers will become even more significant.

It is crucial to investigate the influence of electronic word-of-mouth on Chinese consumers and its production mechanism, as well as how the cultural psychology of Chinese consumers affects the influence of electronic word-of-mouth, because China's typical eastern culture is very different from western culture.

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