

Thank you for sharing! Unravelling the perceived usefulness of word of mouth in public procurement for small and medium enterprises

Unravelling the
perceived
usefulness of
WOM

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Abstract

Purpose – Over time, the concept of word of mouth (WOM) has spread beyond marketing into other disciplines. This is because WOM is important in decision-making at both the individual and organisational levels. Also, people are more likely to trust recommendations from their peers than those from companies. Therefore, the purpose of this study is to investigate the perceived usefulness of WOM messages for small and medium-sized enterprise (SME) suppliers in participating in Tanzanian public procurement opportunities.

Design/methodology/approach – The study collected cross-sectional data from 214 SME suppliers who supply common use items to public procuring organisations in Dodoma City, Tanzania. Structural equation modelling was used to test the direct relationships between study variables, and Hayes' PROCESS macro was used to test for the indirect effect of WOM message delivery on WOM attributes and the perceived usefulness of WOM.

Findings – WOM attributes that include expertise differential, perceptual homophily, and trustworthiness are related to the perceived usefulness of WOM. Also, WOM message delivery mediates the relationship between the WOM attributes and the perceived usefulness of WOM in enhancing public procurement participation. Therefore, the study's findings revealed that WOM is applicable in the public procurement context, under which public buyers act as senders and suppliers act as receivers. The latter finds out about public procurement opportunities and responds to them, while the former gives suppliers whatever information they need to respond to public procurement tenders that have been advertised.

Research limitations/implications – Because the study was cross-sectional, it was difficult to determine whether the opinions gathered over time remained consistent. Furthermore, only suppliers who are parties to framework contracts under Government Procurement Services Agency were included in the study. Therefore, the sample was limited to only suppliers supplying common use items to various public organisations in Dodoma City, Tanzania.

Originality/value – This paper integrates the concept of WOM from the marketing discipline and public procurement. As a result, the study adds to the understanding of the use of information transmission in terms of the contribution of WOM messages from public buyers to suppliers to enhance small and medium enterprises' participation in public procurement opportunities.

Keywords Expertise differential, Perceived usefulness, Procurement, Public buyers, Public procurement, Small and medium enterprises, Suppliers, Trustworthiness, Word of mouth, Word of mouth delivery, Word of mouth messages, Tanzania

Paper type Research paper

1. Introduction

The concept of Word of Mouth (WOM) has captured the interest of researchers and practitioners from different fields (Farzin *et al.*, 2021; Lisjak *et al.*, 2021; Mehrad and Mohammadi, 2017; Rajendran and Arun, 2021a; Taheri *et al.*, 2021). Past studies have recommended it as an



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incredibly effective strategy for marketing purposes (Amani, 2022a; Rajendran and Arun, 2020; Trusov *et al.*, 2009). WOM has risen in popularity because individuals have become more reliant on their friends or companions for information since messages from them are more likely to have an impact than commercial advertisements. From a business perspective, consumers who seek purchasing advice believe that advice from friends and family members is useful in purchasing decisions (Siddiqui *et al.*, 2021). Therefore, consumers are more likely to trust people they know, especially their friends, when it comes to making purchase decisions (Cooley and Parks-Yancy, 2019). On the other hand, a message delivered involuntarily may be viewed more favourably by recipients than a mass advertising campaign. Also, WOM can be considered a tremendous advantage to consumers when making a risky purchasing decision (Murray, 1991). Talwar *et al.* (2021) confirmed that the higher the risk is perceived by consumers, the more likely for them to spread negative WOM so as to help others. Our current study centres on the aspect that WOM can be used to reduce various risk categories, including socio-psychological and financial risks associated with business decisions. Furthermore, a stream of literature shows that WOM can be used as a risk reduction tool (Bartschat *et al.*, 2022; Bastos and Moore, 2021).

Small and medium-sized enterprises (SMEs) participation in public procurement is not a new thing in the literature (Ancarani *et al.*, 2019; Israel and Kazungu, 2019; Orser *et al.*, 2021; Saastamoinen *et al.*, 2018). Participation of SMEs in public procurement is related to their decisions on bidding or involvement in supplying or providing goods and services to organisations in the public sector. One would be inclined to assume that SMEs participate effectively in public procurement and meet the objectives of supporting the domestic economy (Israel and Kazungu, 2019; Di Mauro *et al.*, 2020; Panga and Kazungu, 2015). However, their participation in public procurement opportunities is considered a risky decision as, sometimes, the total contract value allocated to SME suppliers falls short of their proportion of economic turnover. Generally, SMEs are more vulnerable because of the nature of their business and the environment in which they operate (Caraka *et al.*, 2021; Ismail, 2022a; Loader, 2015; Orser *et al.*, 2021; Ye and Tekka, 2020). Thus, selecting a public procuring organisation to engage with is a risky decision that SME suppliers must overcome to obtain the perceived benefits. The risks facing SME suppliers can be examined when they respond to the identified public procurement tenders and throughout the whole procurement process. For example, some SME suppliers face publicity limitations, overly limited pre-qualification standards, limitations in access to relevant information, emphasising previous experience or size of the business, uncompetitive bidding processes and contract size challenges (Gitari and Kabare, 2014; Israel and Kazungu, 2019; Loader, 2015; Tesha and Nsimbila, 2021). This may result in unresponsive or uncompetitive bids, which might cause a failure to secure public tenders, rejected tenders or sometimes a failure to provide the required level of quality of supplies.

SME suppliers face documentation challenges (Medzhybovska and Lew, 2019; Slijepčević *et al.*, 2015). Some may include excessive documentation requirements and bureaucracy, bid security deposits, failure to offer adequate time for quotation preparation, unclear selection criteria, difficulty making a formal bid or proposal and excessive information requirements. On the other hand, at the post-selection stage, suppliers are involved in negotiations (Mwagike and Changalima, 2022). At this stage, SME suppliers experience institutionalised discrimination; a price focus unrelated to product value; unsatisfied rationale for tender awards; lack of feedback shared for future learning and unsuitable offered payment terms. Most SME suppliers fail to secure tenders, and those who do complain about the fairness of prices against the value of the products offered and delays in payments, which accelerate the costs of conducting business.

A stream of empirical studies shows that most SME suppliers do not perform well and are limited in their access to getting public tenders (Namagembe *et al.*, 2021; Panga and Kazungu, 2015). The latter can be associated with limited access to information related to public procurement opportunities (Ancarani *et al.*, 2019). Therefore, various efforts must be made for these SME suppliers to participate in bidding to get new public tenders. WOM is popular in

other literature, especially in marketing (Amani, 2022a; Lisjak *et al.*, 2021). However, literature regarding the application of WOM to SME suppliers in public procurement is limited. This may be due to the regulatory framework governing procurement activities and how public buyers interact with suppliers (Changalima *et al.*, 2021a; McKevitt and Davis, 2014). It is thought that this will make public buyers less likely to share with suppliers what they need to know about available public procurement opportunities.

WOM has a number of advantages over traditional forms of marketing communication, such as traditional promotions. Empirical evidence shows that insights from WOM recommendations have a significant impact on consumer attitudes and purchase intentions (Rajendran and Arun, 2021a; Yuan and Peluso, 2021). Also, when compared to traditional mass advertising, WOM can significantly reduce expenditure on traditional mass advertising. Furthermore, it is more important in various contexts, as a study conducted at a higher learning institution by Amani (2022a) revealed that WOM is necessary for assisting students in choosing a university to attend because, this risky decision has long-term implications for students' self-image and identity, as well as employment opportunities. A study conducted by Farzin *et al.* (2021) discovered that mobile banking adoption is linked to user behaviour via WOM. Additionally, another study confirmed that WOM can be used to supplement tourism marketing efforts by influencing residents' attitudes toward the tourist destination (Šegota *et al.*, 2021).

It should be noted that WOM relies on the sharing of information (Amani, 2022a; Bastos and Moore, 2021; Mainolfi and Vergura, 2022). Similar to this, the buyer-supplier relationship entails the act of exchanging necessary information between suppliers and buyers (Mushi *et al.*, 2021; Ried *et al.*, 2021). In this regard, there is no doubt about the importance of sharing necessary information between buyers and suppliers in procurement and supply chain endeavours. Given that the concept of WOM entails the source of information sharing between people of varying levels of experience, whether through traditional or electronic communication, buyer-supplier relationships can benefit from the same. In the existing literature, sharing of information can be done through social media (Amani, 2022b; Bartschat *et al.*, 2022) which enhances the electronic WOM (Farzin and Fattahi, 2018; Mukhopadhyay *et al.*, 2022; Park *et al.*, 2021), particularly in business-to-business contexts (Mai and Liao, 2022; Tóth *et al.*, 2022). Therefore, benefits revealed in the existing marketing literature on the perceived usefulness of the concept of WOM necessitate the development of a more extensive body of literature on the perceived usefulness of WOM in other disciplines, which will complement the existing ones.

Learning experiences through existing studies from the marketing discipline provide a way for WOM to effectively influence the engagement decisions of SME suppliers in public procurement tenders, as these suppliers can exchange information with public buyers that may enhance their engagement in public procurement. This is the research gap that we intend to fill, and therefore, the main purpose of this study is to investigate the following general research question: *Can WOM influence SME suppliers' participation in public procurement opportunities?* To address this question, our study focuses on examining the perceived usefulness of WOM messages from public buyers as senders to SME suppliers as receivers from the receivers' perspective. So, the study adds to the literature on marketing and public procurement by looking at how the WOM concept can make it easier for SME suppliers to take part in the public procurement opportunities. In addition, since the nature of transactions between SME suppliers and public organisations falls under the umbrella of business-to-business marketing, the study contributes to the existing literature on business-to-business WOM (Mai and Liao, 2022; Molinari *et al.*, 2008).

2. Review of literature and hypotheses development

2.1 Prospect theory

According to the prospect theory, prospective investors typically place a different value on gains and losses depending on the type of investment they are considering. They place a greater

emphasis on perceived gains in comparison to perceived losses (Kahneman and Tversky, 1979). Prospect is a loss aversion decision-making theory that considers the risk and uncertainty that investors must contend with Abdellaoui *et al.*, (2007). Under normal circumstances, making an investment decision is a high-risk business endeavour; consequently, one needs sufficient information before making a choice that is rational. Prospect theory is a behavioural economic theory that describes how individuals choose between risky probabilistic options when the probabilities of the outcomes are known (Yoon *et al.*, 2017). Therefore, based on the theoretical perspectives of other previous studies that have applied the prospect theory in researching WOM in different contexts (Amani, 2022a; Ismail, 2022b; Park and Chang, 2022; Yoon *et al.*, 2017; Zhang *et al.*, 2020), the theory is relevant to the current study as the decision to bid on a contract is hypothesised to be one fraught with risks for SME suppliers.

This is due to the fact that the bidders have to pay a number of costs in order to participate in the bidding process (Ancarani *et al.*, 2019; Di Mauro *et al.*, 2020). Thus, the submission of bids to respective public procuring organisations increases the transaction costs for bidders. If SME suppliers do not win the particular bid, then they may experience problems with their performance. WOM can be a key marketing initiative for investors to make risky buying decisions such as bidding, because the majority of high-paying business activities are associated with high psychological and financial risks. Specifically, WOM allows SMEs to weigh the benefits of participating in the decision of whether or not to participate in bidding while also comparing other options. Consequently, it is theoretically expected that prospect theory can provide a theoretical understanding of how SMEs can choose to participate in bidding while using WOM from public buyers of different procuring organisations as the primary means of avoiding risk.

2.2 Elaboration likelihood model of persuasion

This model of persuasion provides a somewhat generic framework for organising and understanding the fundamental processes that drive persuasive communication success, and it may be applied to a wide range of scenarios. The model suggests that, depending on the amount of thinking or elaboration, the attitude can change (Rajendran and Arun, 2021b). Therefore, incorrect attitudes that are acquired by SMEs as a result of inadequate persuasive messages from procuring organisations have the potential to cause detrimental effects on the receiver's behaviour, affect and cognitive processes. It is hypothesised in this study that the information provided by the procuring organisations may be limited. In this scenario, it's possible that SMEs may do not have sufficient information to help them make responsive bids. However, through WOM, SMEs have the opportunity to have positive experience from close friends, which can assist them in effectively bidding on contracts. That is to say, when SMEs believe that certain issues carried by a message from the public procuring organisations are limited, WOM messages from other different public buyers with more experience in public procurement opportunities can encourage these SME suppliers to enhance their participation in the public tendering process. It is assumed that three factors are responsible for determining the effectiveness of messages (Petty and Cacioppo, 1986): First, the strength of the message itself; second, the ability to persuade and third, the disposition of the person receiving the message. This is supported by the strength of WOM messages in creating the proper quality of message delivered to SMEs, which consequently increases the ability of evaluation of messages among SME suppliers.

2.3 WOM and SME supplier participation in public procurement

The nature of business transactions between SMEs and public procuring organisations falls under the category of business-to-business relationships. This is due to the fact that registered SME suppliers doing business with public procuring organisations provide the goods, services and works necessary for these public organisations to provide service to the public (Israel and

Kazungu, 2019; Panga and Kazungu, 2015; Chagalima *et al.*, 2022). Despite this, the application of WOM in the context of public procurement is limited. The WOM is an important form of information sharing not only for business-to-customer but also business-to-business relationships (Mai and Liao, 2022; Tóth *et al.*, 2022). The application of WOM in a business-to-business context has recently been cited as an important means of boosting suppliers' sales performance (Mai and Liao, 2022). In this regard, the current study focuses on the role of WOM in increasing the participation of SME suppliers in public procurement opportunities.

2.3.1 Expertise differential between public buyers and SME suppliers and WOM message delivery. WOM effectiveness is assumed to be influenced by both the sender's and the recipient's expertise (Amani, 2022a). The level of knowledge possessed by the receiver can impact the communication model employed (Sweeney *et al.*, 2012). It may impact the decision, but it can also impact the recipient's perception of risk and how actively the recipient seeks out WOM information. On the other hand, the sender's expertise is a major source of message quality and dependability (Amani, 2022a). In this study, sender expertise refers to the extent to which a WOM message is perceived to have the ability to provide useful information to the point where the SME supplier has no cause to cross-check the received messages. Because most people do not have an incentive to test the veracity of a sender's assertions by recalling and rehearsing their ideas, the degree to which the sender is perceived as capable of providing accurate information is likely to induce persuasion (Amani, 2022a). An individual who has received a WOM message may have a high level of knowledge from the recipient's perspective if that individual is in an advantageous position (Sweeney *et al.*, 2012). For example, public buyers from organisations that specialise in public procurement undertaking and have had special training are more likely to know more about how public procurement works.

This is the case in Tanzania, where procurement practitioners participate in training sessions led by the professional board and regulatory authority (Israel, 2021; Mahuwi and Panga, 2020). These training sessions result in procurement practitioners who are capable and knowledgeable about managing procurement affairs in their respective organisations. Based on the current study's focus, it is assumed that these buyers are involved in disseminating information to potential suppliers because they are aware of procurement undertakings. They are more likely to have more expertise than SME suppliers because their expertise is centred on acquired knowledge and skills through education and experience in public procurement matters. As a result, the degree of difference in public procurement expertise between public buyers and SME suppliers may improve the transmission of reliable and quality messages to SME suppliers, increasing their participation in public procurement opportunities.

Therefore, SME suppliers seeking public procurement information will seek out such knowledge and rely on the recommendations of public buyers who are experts. If potential SME suppliers choose to seek WOM information from public buyers, they are more likely to assume that the gain will be significantly greater from public procuring organisations and believe that buyers are more knowledgeable in the field in which the WOM information is sought. For example, suppose knowledge of public procurement for public buyers is high. In that case, the SME supplier will aggressively seek information from advertised public procurement opportunity while also attempting to gain information through WOM. In contrast, if the level of expertise of public buyers in other public procuring organisations is perceived to be low, the WOM message delivery (WMMD) will be poor. Hence, the SME suppliers will be less likely to request information. As a result, it is conceivable to hypothesise that:

- H1.* Expertise differential (EXDI) between public buyers and SME suppliers significantly influences WMMD.

2.3.2 Perceptual homophily between public buyers and SME suppliers and WOM message delivery. There is widespread agreement that strong connections between the sender and the recipient effectively deliver WOM messages (Amani, 2022a). Homophily is the most effective

covariate-based process in network evolution. Many studies have been conducted to confirm the prevalence of homophily in communication and WOM (Brown and Reingen, 1987; Le *et al.*, 2018; Mladenović *et al.*, 2021). Homophily has been demonstrated by age, education, gender, values and general conduct. Based on how close or familiar they are, this study defines homophily as the strength of the link or bond between a sender (public buyer) of WOM messages and a receiver (SME supplier).

Currently, literature has associated homophily with the effectiveness of WOM (Amani, 2022a). This link suggests that a strong connection between sender and recipient may have a beneficial effect on WMMD (Amani, 2022a; Chawdhary and Weber, 2021). Depending on the specified link, proximity or intimacy between a sender and a receiver, the recipient can rely on the recommendations made by WOM sources regarding specific services. This is supported by Chawdhary and Weber (2021) who revealed that recommendations from WOM sources with similar values to the WOM receiver are more effective in influencing the WOM receiver's decision-making process than recommendations from sources with dissimilar values. This perceived similarity between homophily and dissimilar individuals stems from the logic of homophily, or the love of people who are identical in some ways. While more research into the relationship between WOM sources and message delivery is needed, it is known that the WOM source's degree of homophily can influence message quality judgements (Amani, 2022a; Dalla-Pria and Rodriguez-de-Dios, 2022).

In the context of public procurement, the homophily between public buyers and SME suppliers indicates the prospect of getting up-to-date tender information whenever the general procurement notice is announced. Because individuals in their respective organisations pull their friends from foci, and foci bring homogeneous groups of people together, homophily between them is a likely outcome of the tender process, despite legal regulations governing it. From this vantage point, the dynamics of preference and opportunity are coupled, allowing WOM messages to be successfully delivered to their intended audiences. Given these arguments, the current study hypothesises that:

H2. Perceptual homophily (PERH) between public buyers and SME suppliers significantly influences WMMD.

2.3.3 Trustworthiness between the public buyers and SME suppliers and WOM message delivery. The literature has demonstrated that the extent to which recipients trust the sender of WOM messages impacts message delivery significantly (Amani, 2022a). A sender's trustworthiness (TRUS), as among a sender's characteristics, has been connected to various factors to assess the credibility of communication between a sender and a receiver (Asada and Ko, 2016). As a general rule, for the receivers to trust information from the sender, the information must be consistent, honest, compassionate, kind, resourceful and humble in its presentation (Ohanian, 1990). People will also trust information if it has the potential to give them high-quality service, a high level of satisfaction, a sense of value, a good relationship and the ability to make them want to decide on something.

WOM's strength stems from the fact that consumers trust communications from peers more than those from advertisers; thus, recommendations made by close friends are more trustworthy (ShabbirHusain and Varshney, 2022). The foundation of the concept of TRUS as a factor influencing message delivery is founded on source credibility. WOM essentially measures the degree to which the sources of WOM messages are regarded as credible and trustworthy by the message recipients, given that WOM sources have nothing to lose in comparison to direct advertisements from a company. Furthermore, Kim *et al.* (2018) proposed that, similar to advertisers who promote their products "which are not always as superior as they are promoted," electronic WOM entails text-based recommendations from unknown individuals. As a result, customers frequently have difficulty determining the credibility of sources and, place a higher value on trusting offline WOM messages from

family, relatives and associates. WOM is seen as a reliable factor that affects a consumer's decision to buy or buy again because it comes from close friends and associates in social communities (Park *et al.*, 2021).

Trust between public buyers and SME suppliers appears to be the greatest answer to accurate tender information, especially given the growing concern about private sector participation in public procurement (Harland *et al.*, 2013). SME suppliers benefit from trusts banding together to participate in procurement activities that improve prospects for SME suppliers with public-sector organisations. TRUS can be the essential public procurement characteristic, impacting both the social and practical procurement functions of a WOM message's utility. Therefore, it is hypothesised that TRUS has consequences for WMMD.

H3. TRUS between public buyers and SME supplier significantly influences WMMD.

2.3.4 Message delivery and perceived usefulness of WOM. Generally, the receiver's response is intimately associated with the quality of the message, and as a result, it is an important factor in determining the way he or she will respond. Therefore, it is critical to understand the process of developing appropriate, effective and relevant messages in WOM (Makvandi and Farzin, 2022). Also, it is necessary to consider the message delivery and the influence or effect of WOM. Perceived usefulness of WOM is associated with the influence or effect of WOM on the receiver's perspective. The extent to which the message that is delivered to the receiver is considered useful, as the focus of WOM is to influence the decision-making for choices surrounding the receiver. The way a message is delivered relates to the manner in which it is delivered. The message delivery can be done in a reliable, friendly or relaxed manner (Sweeney *et al.*, 2012). Also, this is quite related to the message quality, as if the message is informative, clear, specific and reliable (Le *et al.*, 2020).

The quality of messages has an influence on WOM on the perspective of the receiver. Also, the quality of messages plays a role in the relationship between source characteristics and WOM influence (Le *et al.*, 2018). Empirical evidence from different contexts revealed that the WMMD was considered to be related to the perceived usefulness of university selection among undergraduate students in Tanzania (Amani, 2022a). Also, WOM messages that are considered to be positive and more effective significantly affect the willingness of people to use the service (Sweeney *et al.*, 2014). In this aspect, our study assumes that the message delivery from the public buyer as a sender to the SME supplier as a receiver may be considered useful for making decisions in relation to participation in public procurement opportunities. To reflect this relationship, our study hypothesises the following:

H4. WMMD between public buyers and SME suppliers significantly influences the perceived usefulness of WOM.

2.3.5 Mediating role of WOM message delivery on the attributes of WOM and perceived usefulness of WOM. As noted in the elaboration likelihood model of persuasion, the effectiveness of the message is predetermined by the persuasive nature of the message from the sender and the quality of the message (Petty and Cacioppo, 1986). Therefore, message delivery can explain the relationship between message attributes and the perceived usefulness of a WOM message. A WOM message that is not communicated and delivered correctly may negatively influence the recipient's decisions (Amani, 2022a). So, the attributes of WOM messages, like expertise, homophily and TRUS can be important for the right transmission of WOM messages and, hence, the positively perceived usefulness of WOM.

It has been documented in the literature that there is a relationship between WOM factors and WMMD and between WMMD and the perceived usefulness of WOM (Amani, 2022a). In another way, attributes of WOM messages such as EXDI, PERH and TRUS have been shown to affect the receiver's decision-making process. Similarly, it is argued that the outcome of WMMD on the perceived usefulness of WOM impacts various behaviours,

particularly on the decisions of organisations such as SME suppliers in public procurement. In this regard, the current study proposes the following hypothesis:

H5. WMMD significantly mediates the relationship between WOM attributes and the perceived usefulness of WOM.

3. Methodology

3.1 Study area, research design and sample size

The study employed a cross sectional research design to collect data from SMEs’ managers in Dodoma City, Tanzania. The cross sectional research designs are considered cheap as data are only collected once (Saunders *et al.*, 2019). The focus of choosing cross sectional design relies on the aspect that we wanted to include variation of opinions from different people and organisations. As opined by Bryman and Bell (2011), variation can be established only when more than one case is being examined, and this is the case for cross sectional studies. Dodoma, the capital city, was deliberately selected as the area of study. In recent years, the government has relocated its main offices from Dar es Salaam to Dodoma city. Since then, Dodoma city has emerged as the new city of the country with an adequate number of public procuring organisations and SME suppliers (Changalima *et al.*, 2021b).

The population of the current study was SME suppliers. This population was obtained from Government Procurement Service Agency (GPSA) as the agency is responsible for maintaining the list of suppliers for each financial year under framework agreements (Siwandeti *et al.*, 2021). The study inquiry was with managers of SME suppliers. Managers of SME suppliers are involved in bidding decisions for most public procurement opportunities. Slovin’s formula was used to calculate the sample size (see equation (1)). This formula’s strength is that it allows for sampling with a degree of accuracy, i.e. confidence levels and margins of error (Yamane, 1967).

The formula is given by:

$$n = \frac{N}{1 + N(e^2)} \tag{1}$$

Whereby:

n = number of surveyed SME suppliers;

N = total population size (in this case, N = 459); and

e = margin error (e = 0.05)

Therefore:

$$n = \frac{459}{1 + 459(0.05^2)} \tag{2}$$

$$n = \frac{459}{2.1475} \tag{3}$$

$$n = 213.737 \tag{4}$$

3.2 Sampling design and data collection

Therefore, the total number of 214 SME suppliers (from approximated value of equation (4)) was included in our study. Also, the simple random sampling technique selected 214 respondents from 459 SME suppliers through a lottery technique. It should be noted that each

unit of the population has an equal chance of being included in the sample with random sampling (Bryman and Bell, 2011). Thus, the techniques ensured that no biases in the selection of units of inquiry. We collected cross sectional data between early October 2021 and mid-December 2021 from managers of surveyed SMEs. Therefore, each manager at the selected SME was asked to fill out the structured questionnaire. The self-administered questionnaires were employed as it is relative cheap and do not include the interviewer effects when respondents are filling them (Bryman and Bell, 2011).

3.3 Measurement of study variables

Measurement items adapted from previous studies were employed in this study. The variable EXDI between public buyers from public procuring organisations and SME suppliers was measured in only three items from Le *et al.* (2018) and Sweeney *et al.* (2014). PERH was measured in four items from Asada and Ko (2016) and Sweeney *et al.* (2014), and TRUS was measured in four items adapted from Asada and Ko (2016), Le *et al.* (2018) and Ohanian (1990). Also, the measurement items for WMMD were adapted from Sweeney *et al.* (2012), and the perceived usefulness of WOM messages (PUWM) was regarded as the influence of the WOM message or WOM effect, and three items were adapted from Asada and Ko (2016), Hao *et al.* (2010) and Le *et al.* (2020). On the other hand, these measurement items were modified to account for the general purpose of the study, the specific nature of SME suppliers and the public procurement context in Tanzania. Finally, survey data was collected for all main variables in a 5-point Likert scale.

3.4 Data analysis

The analysis of the data was conducted through SEM. It is a multivariate technique that integrates the observed variables (measuring) and unobserved variables (latent) (Ryan, 2020; Smeda *et al.*, 2018). It combines the simultaneous performance of diverse multivariate methods, for instance, factor analysis and regression analysis. In addition, SEM accommodates quantitative measures and behavioural measures such as perceptions, opinions and feelings (Babin and Svensson, 2012). SEM included two components in this study, namely the measurement and structural models. First, the measurement model was done by confirmatory factor analysis (CFA). The pattern of observed variables for the latent construct hypothesised models of EXDI, TRUS, PERH and WMMD between public procuring organisations and SME suppliers was portrayed. Through CFA, reliability and validity were determined by using factor loadings and average variance extracted (AVE). Secondly, SEM employed regression analysis to test the developed hypotheses and determine the influence of WOM attributes on the message delivery and perceived usefulness of WOM. Furthermore, the PROCESS macro as recommended by Hayes (2018) was used to test the mediating effect of WMMD on the relationship between the attributes of WOM and PUWM.

4. Results

4.1 General characteristics of respondents

As shown in Table 1, there are 31 (14.5%) SME supplier managers who are between the ages of 25 and 36 years, 125 (58.4%) who are between the ages of 37 and 48 years, and 58 (27.1%) who are beyond the age of 48 years. Furthermore, according to the statistics, 50 (23.4%) and 164 (76.6%) of those who answered the survey had completed their secondary and college level of education, respectively. Thus, they can effectively process information from public procurement tendering processes and WOM messages. Meanwhile, the study revealed that most surveyed SME suppliers provide furniture, consumables and office equipment, accounting for 184 (86%) SME suppliers. These items are mostly considered important common use items (CUIS) in the public procurement environment of Tanzania.

Table 1.
Respondents' general
characteristics

Items	Frequency	Percentage (%)
<i>Age of manager of SME supplier</i>		
25–36 years	31	14.5
37–48 years	125	58.4
49+ years	58	27.1
<i>Total</i>	<i>214</i>	<i>100</i>
<i>Level of education</i>		
Secondary level	50	23.4
College level	164	76.6
<i>Total</i>	<i>214</i>	<i>100</i>
<i>Type of SME suppliers</i>		
Furniture suppliers	91	42.5
Motor vehicle and spare parts suppliers	12	5.6
Consumable and office equipment	93	43.5
Food and refreshments	12	5.6
Kitchen appliances	6	2.8
<i>Total</i>	<i>214</i>	<i>100</i>

Source(s): Survey data (2021)

4.2 Preliminary analysis

To examine the internal consistency reliability, Cronbach's alpha coefficients were used, under which values of 0.7 and above were considered to be reliable (Tavakol and Dennick, 2011). Table 2 shows that all the constructs have values above the threshold, and hence internal consistency was considered to be achieved. Construct reliability that assumes values of 0.7 and above was achieved as all values of the study constructs were above 0.7 (Hair *et al.*, 2011). Also, convergent and discriminant validity were achieved after running the CFA, under which the values of AVE were considered within the range. Convergent validity is achieved when the value of AVE is greater than 0.5. Results in Table 2 show that all AVE values are within an acceptable range (furthermore, factor loadings from all measured items are above 0.5; see Figure 1 and Table 2). On the other hand, discriminant validity was achieved as the square roots of AVE of all variables in the diagonal element (italicised values in Table 3) were greater than the correlation between variables (Fornell and Larcker, 1981). Moreover, the value of maximum shared variance (MSV) for each construct was less than the value of its respective AVE, indicating that discriminant validity was achieved (see Table 3) (Fornell and Larcker, 1981). Results on the CFA show that CMIN/DF (chi-square fit statistics/degree of freedom) = 1.332, CFI (comparative-of-fit index) = 0.980, TLI (Tucker-Lewis index) = 0.975, IFI (incremental fit index) = 0.980, RFI (relative fit index) = 0.908, NFI (normed fit index) = 0.925, GFI (goodness-of-fit index) = 0.925, and RMSEA (root mean square error of approximation) = 0.039. These model fit indices from the CFA are within an acceptable range (Fabrigar *et al.*, 1999; Hooper *et al.*, 2008).

4.3 Structural model and testing of hypotheses

Path analysis was used in this study to evaluate and validate the proposed structural model, as well as to evaluate the relationship between the variables of the study (see Figure 2). The model fit indices are CMIN/DF = 1.441, CFI = 0.972, TLI = 0.967, IFI = 0.972, RFI = 0.900, NFI = 0.915, GFI = 0.914, RMSEA = 0.046, which indicate the adequacy of the structural model goodness of fit (Hooper *et al.*, 2008). Therefore, the results support the proposed structural model, and as a result, the model has been accepted. Using path analysis, we established the structural relationship and tested the first four study hypotheses we had developed.

Constructs/Indicators	Loadings	AVE	Cronbach alpha	Construct reliability
<i>Expertise differential (EXDI)</i>		0.654	0.842	0.849
• I describe the person who provided me this information as an expert (EXDI1)	0.745			
• I describe the person who provided me the information as experienced (EXDI2)	0.914			
• I describe the person who gave me information as knowledgeable (EXDI1)	0.756			
<i>Perceptual homophily (PERH)</i>		0.558	0.832	0.834
• We share a similar outlook on life, both me and the person who gave me the message (PERH1)	0.665			
• We have similar likes and dislikes, both me and the person who gave me the message (PERH2)	0.729			
• We share common interests, both me and the person who gave me the message (PERH3)	0.856			
• We share a similar experience, both me and the person who gave me the message (PERH4)	0.726			
<i>Trustworthiness (TRUS)</i>		0.541	0.824	0.825
• The person who provided me the message was honest (TRUS1)	0.718			
• The person who provided the message was reliable (TRUS2)	0.688			
• The person who provided the message was sincere (TRUS3)	0.789			
• The person who provided the message was trustworthy (TRUS4)	0.746			
<i>WOM message delivery (WMMD)</i>		0.765	0.927	0.929
• The received message was delivered in a reliable manner (WMMD1)	0.820			
• The received message was delivered in a friendly manner (WMMD2)	0.861			
• The received message was informatively (WMMD3)	0.937			
• The received message was delivered in a descriptive way (WMMD4)	0.877			
<i>Perceived usefulness of WOM (PUWM)</i>		0.709	0.876	0.879
• My decision to participate in public procurement opportunities was influenced by the provided recommendation (PUWM1)	0.819			
• The message mentioned useful things that I had not thought of when participating in public procurement opportunities (PUWM2)	0.901			
• I was able to participate in public procurement opportunities thanks to the recommendation I received (PUWM3)	0.803			

Source(s): SPSS output

Table 2.
Measurements of
constructs, factor
loadings, AVE,
reliability and validity

4.3.1 *Expertise differential and WOM message delivery.* The study hypothesised that *H1: EXDI between public buyers and SME suppliers significantly influences WMMD*. Results presented in Table 4 show that the EXDI between public buyers (senders) and SME suppliers (receivers) is statistically significant and positively related to WMMD ($\beta = 0.198, p = 0.020$). A unit increase in EXDI between the parties (public buyers and suppliers) increases WMMD by 19.8%.

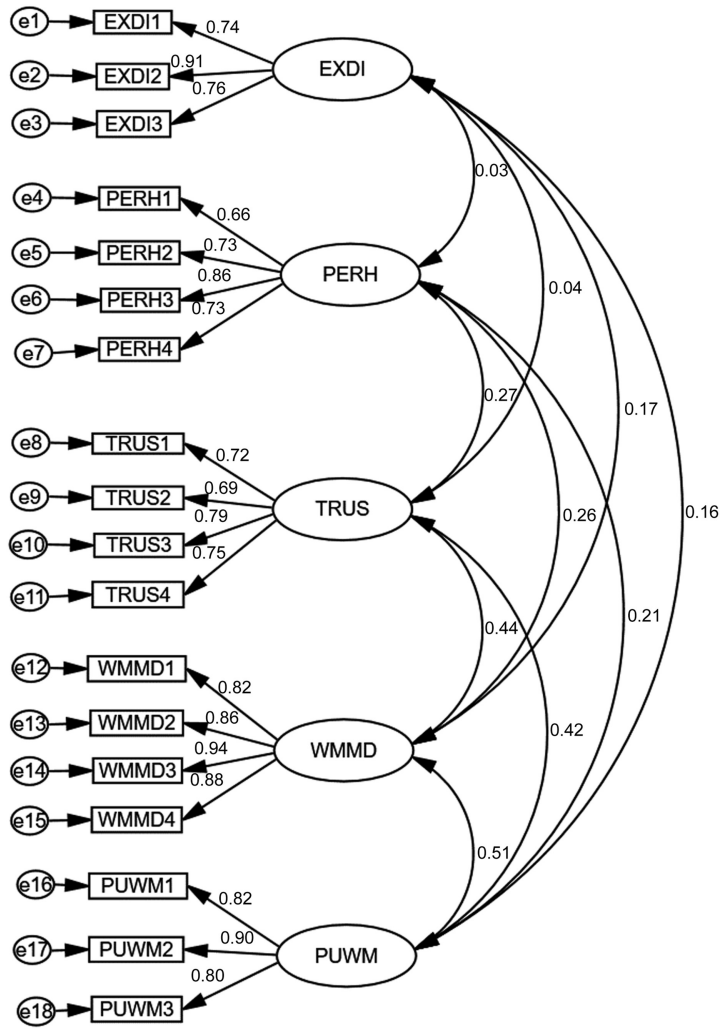


Figure 1.
The CFA for study
constructs

Source(s): AMOS Output

Table 3.
Discriminant validity
(Fornell-Larcker
criterion)

	AVE	MSV	EXDI	PERH	TRUS	WMMD	PUWM
EXDI	0.654	0.030	<i>0.809</i>				
PERH	0.558	0.073	0.033	<i>0.747</i>			
TRUS	0.541	0.197	0.035	0.270	<i>0.736</i>		
WMMD	0.765	0.257	0.172	0.258	0.444	<i>0.875</i>	
PUWM	0.709	0.257	0.158	0.208	0.419	0.507	<i>0.842</i>

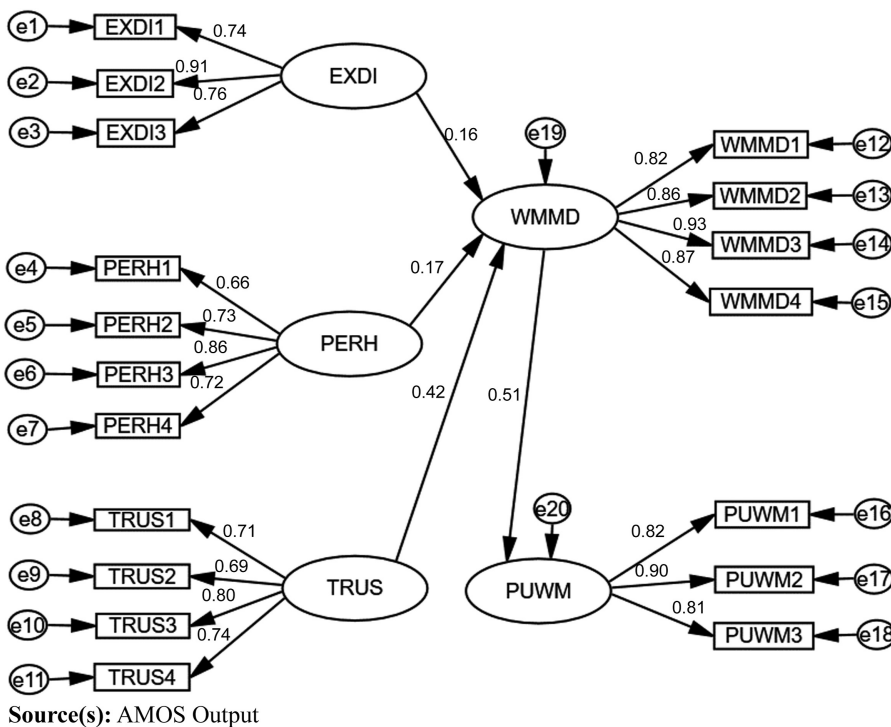


Figure 2. Structural model for study variables

Relationships between study variables	Estimate	S.E.	C.R.	P
WMMD ← EXDI	0.198	0.085	2.322	0.020
WMMD ← PERH	0.209	0.088	2.380	0.017
WMMD ← TRUS	0.665	0.123	5.391	***
PUWM ← WMMD	0.455	0.065	6.948	***

Note(s): *** denotes $p < 0.001$
 Source(s): SPSS output

Table 4. Regression weights for relationships between study variables

4.3.2 *Perceptual homophily and WOM message delivery.* Also, “H2: PERH between public buyers and SME suppliers significantly influences WMMD” is accepted as results in Table 4 show that the relationship between PERH and WMMD is positive and significant ($\beta = 0.209, p = 0.017$). WMMD goes up by 20.9% for every unit of increased PERH between public buyers and SME suppliers.

4.3.3 *Trustworthiness and WOM message delivery.* The hypothesis that states that “H3: TRUS between public buyers and SME suppliers significantly influences WMMD” is accepted ($\beta = 0.665, p < 0.001$). This means that if SME suppliers on the WOM make public buyers more trustworthy by one unit, the WMMD goes up by about 66.5%.

4.3.4 *WOM message delivery and the perceived usefulness of WOM.* Table 4 shows that WMMD is significantly and positively related to PUWM ($\beta = 0.455, p < 0.001$). This result implies that the hypothesis “H4: WMMD between public buyers and SME suppliers

significantly influences the perceived usefulness of WOM” is accepted. As a result, a unit increase in WMMD increases PUWM by 45.5%.

4.3.5 *Testing of mediation effect.* A simple mediation was conducted to test *H5: WOM significantly mediates the relationship between WMMD and the perceived usefulness of WOM*, whereby EXDI, PERH and TRUS were aggregated to formulate a new score for WOM attributes regressed to WMMD and PUWM. Results presented in Table 5 show the direct and indirect effects of the variables under study. So, to determine the indirect effects through the mediator variable of the study (WMMD), bootstrap confidence intervals were estimated based on 5,000 bootstrap samples.

In the first regression, WOM attributes as a variable are statistically significant and have a positive relationship with WMMD ($\beta = 0.7598, p < 0.001$). So, the value of $\beta = 0.7598$ shows that WOM attributes have a direct effect on WMMD in the path model. Both WOM attributes ($\beta = 0.3042, p = 0.0083$) and WMMD ($\beta = 0.4046, p < 0.001$) are statistically significant and positive predictors of PUWM in the second regression. Therefore, the values of β from both variables present direct effect on PUWM within the path model.

Furthermore, bootstrap and confidence intervals were used to ascertain the indirect effect. As a result, the unstandardized indirect effect (0.3074) of WMMD is obtained (the product of 0.7598 and 0.4046) from the previous two models. Furthermore, with the bootstrapping confidence intervals ranging from BootLLCI = 0.1796 to BootULCI = 0.4516. Since the produced bootstrap confidence intervals are entirely above zero, it indicates a statistically significant and positive indirect effect (0.3074, BootCI 0.1796 to 0.4516) of WMMD to support the mediation of WMMD on the relationship between WOM attributes and PUWM.

5. Discussion and conclusion

The primary purpose of this study was to examine how the concept of WOM is useful in the context of SME suppliers’ participation in public procurement. The purpose of the study was to contribute to the growing body of empirical research on the concept of WOM in marketing and usefully in other fields (Amani, 2022a; Lisjak et al., 2021; Zhang et al., 2022) and adding to the nature of market interactions between public buyers and suppliers (Holma et al., 2022). This was accomplished by including SME suppliers in the context of public procurement in Tanzania. The current study produces interesting conclusions regarding the concept of WOM. EXDI, PERH and TRUS as important attributes of WOM relate to WMMD and later to PUWM. Getting SME suppliers involved in public procurement could help public procurement practitioners and researchers who want to learn more about how information is shared and how SME suppliers are involved in public procurement.

Structural path	Unstandardized coefficients	Standardised coefficients	P	95% CI
<i>Direct effects</i>				
WOMAttr→WMMD	0.7598	0.4067	****	0.5287–0.9909
WOMAttr→PUWM	0.3042	0.1714	0.0083	0.0790–0.5294
WMMD→PUWM	0.4046	0.4260	****	0.2841–0.5252
	Effect	BootSE	BootLLCI	BootULCI
<i>Indirect effects</i>				
WMMD	0.3074	0.0699	0.1796	0.4516

Note(s): **** denotes $p < 0.001$
Source(s): SPSS output

Table 5. Direct and indirect effects of study variables

While previous studies have focused on applying WOM to ensure that there is an increase in the level of communication in the form of information sharing among customers in relation to their personal experiences after using the product or service, the findings from this study focus on SMEs' role in public procurement. As a result, the findings of this study can have a variety of benefits, one of which is that they can provide an avenue for procurement practitioners to facilitate the sharing of necessary information through the provision of positive WOM, thereby enabling suppliers to participate in public procurement opportunities. Second, because studies on WOM in public procurement are scarce, this study can provide empirical evidence for theoretical development, particularly by extending the applicability of prospect theory in public procurement in the Tanzanian context, and in precise by demonstrating that it can be applied to WOM concerning SME suppliers in public procurement. Considering that individuals in SME suppliers in public procurement react differently depending on how valuable they believe WOM is, the theory contributes to empirical evidence in understanding why perceived advantages are favoured over losses. According to the study's findings, the EXDI, PERH and TRUS between public buyers and SME suppliers improve the perceived gains for high-quality message delivery and, as a result, the perceived usefulness of WOM from the receiver's point of view.

The study conducted by [Amani \(2022a\)](#) revealed that WOM determinants significantly determine the WMMD for the choice of pursued university degree among undergraduate students. Also, the message delivery determines the perceived usefulness of WOM among the surveyed students. Though the results from this study align with our findings, this study was conducted in a different context (higher learning institutions in Tanzania). The context is different because we conducted the study on the influence of WOM attributes on the WMMD and also the influence of WMMD on the perceived usefulness of WOM. The study was conducted in the context of public procurement in Tanzania, where there is scant evidence for the application of WOM due to regulatory constraints. Through the use of WOM, the study contributes to the on-going debate in Tanzania about the participation of SMEs in public procurement ([Israel and Kazungu, 2019](#); [Panga and Kazungu, 2015](#)).

Therefore, the uniqueness of our study is in the context under which it was conducted. The study cemented the application of WOM in the context of public procurement to SME suppliers. Since WOM is considered a form of referral communication among members, this study suggests that suppliers can receive information that makes them refer to a certain public procurement opportunity that is advertised. The use of reference information is important in business and specifically in marketing, as reference information has been associated with the decision-making process ([Salminen and Möller, 2004](#)). Hence, our findings pave the way for the applicability of WOM to the involvement of SME suppliers in public procurement.

This study emphasises that SME suppliers are more likely to participate in public procurement tenders when they perceive that information from public buyers is positive towards their quest. Information sharing between public buyers and suppliers is paramount ([Callens et al., 2022](#); [Changalima et al., 2021a](#)). These studies support the findings of our study as they highlight the importance of information sharing between public buyers and SME suppliers. In a similar context, WOM communication is considered a form of information sharing between people ([Lee et al., 2013](#); [Sweeney et al., 2008](#)), sometimes excluding formal communications ([Mehrad and Mohammadi, 2017](#)). The results of the current study give people who work in public procurement a way to make it easier for SMEs to get the information they need through positive WOM so that they can take part in public procurement opportunities.

6. Theoretical implications

We investigated the perceived usefulness of WOM in increasing the participation of SMEs in Tanzanian public procurement opportunities. Therefore, this study contributes to the existing

literature on the participation of SMEs in public procurement opportunities (Akenroye *et al.*, 2022; Liu *et al.*, 2020; Di Mauro *et al.*, 2020; Orser *et al.*, 2021; Soong *et al.*, 2020) and how suppliers and buyers interact in public procurement (Changalima *et al.*, 2021a; Holma *et al.*, 2022; McKevitt and Davis, 2014). Furthermore, our findings contribute to the growing body of literature on the application of the WOM concept from marketing to other disciplines.

This study was done in Tanzania to find out how important WOM is to SME suppliers when it comes to making decisions related to public procurement participation. This adds to the already existing body of knowledge about WOM (Amani, 2022a; Farzin and Fattahi, 2018; Le *et al.*, 2018, 2020; Makvandi and Farzin, 2022; Šegota *et al.*, 2021; Siddiqui *et al.*, 2021). Prospect theory emphasises the decision-making process, which is based on choosing between options and can be influenced by biases. Our findings contribute to the theory by demonstrating how WOM can help SMEs decide whether or not to participate in public procurement opportunities. When competing for public procurement opportunities, SMEs can make better decisions if public buyers share information with them effectively.

7. Managerial implications

In general, the current study has important managerial implications in the context of public procurement for both suppliers and buyers. Managers of SMEs who participate in public procurement opportunities should consider the information obtained from public buyers during the procurement process, both formal and informal. Our findings suggest that using WOM marketing in the context of public procurement can help achieve this. Public buyers from public procuring organisations should also make sure that they are sharing the necessary information with willing suppliers. Similarly, information about available public procurement opportunities can be disseminated at official and unofficial gatherings where such information is made available.

It is suggested that procurement practitioners interact with suppliers in a way that does not detract from the overall goal of public procurement in this context. Therefore, extreme caution should be exercised to ensure that these interactions and gatherings do not have a negative impact on the legal framework in question. Furthermore, as revealed in previous studies, WOM is also advantageous and is considered a new form of advertising. Therefore, using WOM can help to resolve the problem of a lack of competitive bids and a smaller number of participants, particularly for SMEs in public procurement opportunities. Public organisations can make sure that SMEs are well represented in the bidding process by spreading information and encouraging them to bid by spreading positive WOM to them.

8. Limitations and future research suggestions

Even though we successfully achieved the overall goal of our study, it has some limitations that need to be addressed. The use of cross-sectional research design limited our study in terms of its impossibility of determining whether collected opinions persist over time as we collected cross-sectional survey data. Additionally, we investigated the receiver perspective of WOM, in which SME suppliers who only supply CUIS (furniture, motor vehicle and spare parts, consumables and office equipment, food and refreshments, and kitchen appliances) were contacted to obtain information about their opinions on the subject. Although we attempted to reach as wide a range of representatives as possible in the survey areas, we could not do so due to a lack of reliable data, limiting the number of participants in our sample.

In this regard, future research should emphasise the application of longitudinal studies to establish the consistency of estimations taken over a given period, as previously stated. This may provide important findings to supplement the current study's findings in areas where the current study's findings are limited. Furthermore, as our study centres on the receiver's

perspective, future research can be done by considering opinions from the sender's perspective (public buyers). This may provide an avenue for obtaining opinions from the sender on the applicability of WOM in public procurement. Future studies could focus on involving tenderers for the procurement of works, primarily large construction firms that participate in procurement for works by public procuring organisations in the context of construction projects, to broaden the range of bidders in the field. Furthermore, other studies may look at suppliers of different lines of products than those we contacted during the data collection period.

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