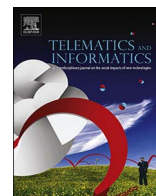




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Analyzing consumer online group buying motivations: An interpretive structural modeling approach

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ABSTRACT

Given the enormous growth and significant impact of group buying on the Internet business marketplace, understanding factors motivating consumer online group buying (OGB) behavior becomes critical for both researchers and practitioners. However, prior studies have provided insufficient understanding of the motivations underlying consumer OGB. This study intends to explore the factors motivating consumer OGB using a qualitative approach based on Uses and Gratifications (U&G) theory, and to build a hierarchical model based on these motivations. The laddering interview technique was used to collect data from 58 online group buyers. A context-specific hierarchical motive model was developed using Interpretive Structural Modeling (ISM), based on the 17 motivations identified. As a timely topic using a novel approach to explore consumer OGB motivations, this study contributes to motivation theory and helps practitioners involved in OGB businesses to better plan and design strategies to attract potential new consumers and retain their current consumers.

1. Introduction

Online group buying (OGB), a business model that aggregates buyers' power, allowing them to obtain lower prices (Zhang et al., 2015), has become popular among consumers since its introduction in the United States (US). Groupon mode OGB websites were launched in many countries and have been widely accepted by consumers worldwide, particularly in Asian countries. A recent report by the China Network Information Centre (2016) shows that the number of users in the OGB market in China reached 180.22 million by the end of 2015 and that 26.6% of netizens have experience in using OGB. Commercial website managers have noticed the growing trend toward OGB in China and created thousands of similar OGB websites, intensifying the competition in this industry. While a few OGB websites have succeeded in the market, a large number have failed and exited this e-marketplace, resulting in a mortality rate of more than 70%. Consequently, how to retain existing buyers and attract potential consumers becomes the top priority for OGB vendors. Understanding consumer needs and offering corresponding marketing strategies to fulfill these needs have always been cited as the key to business success (Delafrooz et al., 2009).

The boom in OGB has drawn the attention of scholars, and numerous studies have been conducted to understand consumer behavior in OGB in recent years (Lim and Ting, 2014; Shi and Liao, 2017; Wang and Chou, 2014). However, the majority of these have focused on examining how technological, psychological, and social factors can influence consumer purchasing or repurchasing intention (Che et al., 2015; Hsu et al., 2014), rather than identifying what customers really want from adopting OGB. In addition, most studies have been mainly quantitative in nature and have utilized traditional user adoption theory such as the Technology Acceptance Model (TAM), Theory of Planned Behavior (TPB), and the DeLone & McLean information system (IS) success model (Hsu

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et al., 2014; Lim and Ting, 2014; Wang and Chou, 2014). Qualitative research comprehensively exploring OGB customers' various motivations from a user-oriented perspective has been lacking. Given the increasing focus on "customer-centric" business strategies, it is important for e-vendors to understand their target customers, particularly the factors motivating their behavior (Delafrooz et al., 2009).

The majority of group buying websites are run by small companies with limited resources. Their profit margin has reduced from 50% in several years ago to 10% currently, as the number of websites increased (iResearch, 2016). Therefore, simply understanding consumers' motivations or needs is not enough: group buying websites need to understand how high-level social or psychological needs can be gratified through actionable strategies. In other words, consumers' needs fulfillment paths need to be understood, to explore motives with strong driving powers in the OGB context. However, the OGB literature has ignored this (Chen and Wu, 2010; Zhang et al., 2014), even though needs and motivation theories have long emphasized the hierarchical structure of human needs and motives driving human behavior. These theories view motivational hierarchies in terms of developmental prerequisites, in which an individual's fundamental basic needs must be satisfied first before less essential, higher-order needs become activated (Guay et al., 2011). Additionally, motivations considered together may seem equally important and sometimes override each other. The development of a hierarchical motive model can help group buying websites understand which motives are essential, and which are very important, thereby helping them effectively develop strategies focusing on the most important motives. Such a hierarchical model can help e-marketers understand exactly *how* they should offer products and services, and *what* they should offer to meet consumers' needs to truly gratify them, thus achieving high quality service with limited resources.

Based on the above discussion, the aim of this research is to provide a comprehensive understanding of consumer hierarchical purchase motivations in the OGB context. The two research questions investigated are:

- 1) *What are the motivations for consumers' OGB behavior?*
- 2) *What is the hierarchical structure of motivations that drive consumers' OGB behavior?*

We begin this paper with an overview of OGB, followed by a description of Uses and Gratifications (U&G) theory that guides this study. Next, we describe our research methodology, including data collection technique, sampling, data collecting procedures, and data analysis procedures. Presentation of the results and discussion follows. Implications from both theoretical and practical perspectives are summarized. Finally, this paper concludes with the limitations and future research directions.

2. Literature review

2.1. Online group buying

OGB refers to a kind of social or collective online shopping community where products or service items can be purchased at a significantly reduced price when a large number of buyers agree to participate in the transaction (Chen et al., 2015). The OGB business model represents a novel e-commerce shopping paradigm, where consumers can obtain products or services at a very low price due to demand aggregation, and sellers can magnify their customer base and promote their sales (Chen et al., 2015; Shi and Liao, 2017). The practice of group buying has existed for many years, but the Internet has made it much more practical than ever before by eliminating the restrictions of traditional group buying conducted offline (Anand and Aron, 2003).

In OGB, merchants that aim to promote their products and services apply to an OGB website. The OGB website announces the campaign, including the original price, discount rate, discounted price, number of minimum required buyers, transaction due time, and the merchant's information. Consumers interested in a deal pay in advance to the OGB website and obtain the product or service from the merchant later.

OGB is different from traditional e-commerce in several respects (Che et al., 2015). First, compared with traditional e-commerce, OGB mainly focuses on experiential products (Wang et al., 2013). Restaurant coupons, entertainment-related coupons, and hotel coupons are the top products purchased in OGB (China Electronic Commerce Research Centre, 2014). Second, OGB websites typically adopt the discount business model and provide buyers with greater bargaining power so that they can purchase products at a lower price (Anand and Aron, 2003). Finally, compared with traditional e-commerce, an OGB transaction has time limitations for services or products to be purchased (Cheng and Huang, 2013). Deals are not available after the transaction due time.

With the boom in OGB worldwide, researchers began to pay attention to this new e-business model. A large number of studies has been conducted to examine the factors that can influence consumer purchasing or repurchasing intention, which generally fall into three categories. The first category of studies focuses on examining technical factors in influencing consumer OGB behavior, from the theoretical perspective of TAM and the DeLone & McLean IS success model. Factors of perceived ease of use, perceived usefulness, and website quality have been confirmed as influential in these studies (e.g., Hsu et al., 2014; Lim and Ting, 2014; Wang and Chou, 2014). The second category of studies focuses on social and psychological factors, from a theoretical perspective of trust, theory of reasoned action (TRA), TPB, social capital theory, and social comparison. Factors such as trust, commitment, relational embeddedness, and social interaction ties have been empirically examined (Chen and Shen, 2015; Cheng and Huang, 2013; Yen and Chang, 2015). The third category emphasizes transaction-related factors such as perceived price fairness, participation volume, Internet advertising, prior purchase experience, and satisfaction (e.g., Shiao and Chau, 2015; Zhang et al., 2015), where theories of transaction cost economics, expectation-confirmation, and social identity have been adopted.

Despite the contributions of these studies from different theoretical perspectives in explaining consumer behavior in OGB, there has been a lack of studies investigating consumer motivations from a holistic, comprehensive, and integrative perspective.

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