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Social interaction-based consumer decision-making model in social commerce: The role of word of mouth and observational learning

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ABSTRACT

Social commerce mediated by social media and social network platforms has led to the development of new business models in e-commerce and digitized the consumer decision journey. Social interaction is considered as a prerequisite for successful social commerce since consumers now expect an interactive and social experience while making purchase decisions. Drawing on word of mouth (WOM) and observational learning theories, we conceptualize social interactions in social commerce environments into two forms: WOM communication and observing other consumers' purchases, and examine their impact on consumer purchase intention and actual purchase behavior. Analyzing primary data ($n=217$) collected from surveyed active consumers within social commerce sites at two stages (pre-purchase and post-purchase), we found that positive and negative valence WOM, WOM content, and observing other consumers' purchases significantly affect consumers' intention to buy a product, thereby increasing the likelihood of actual buying and sharing product information with others on social commerce sites.

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1. Introduction

Owing to the growing popularity of social media, online business models have shifted from traditional e-commerce that focuses on one-click buying and one-way browsing to social commerce that enables consumers to digitize their purchase decision journey by establishing two-way communications and sound collaborative relationships with other consumers (Huang & Benyoucef, 2013). The commercial impact of social commerce will soon influence more than half of all retail transactions and is expected to reach \$2 trillion in the U.S. alone by 2016, according to a report by Forrester Research (Mulpuru, Sehgal, Evans, Poltermann, & Roberge, 2012). This trend not only encourages companies to invest in social media to increase consumer engagement and harness product and brand development, but also the factors that drive social commerce success have become a topic of intense debate in the fields of marketing and information systems (IS) (Liang, Ho, Li, & Turban, 2011; Stephen & Toubia, 2010; Wang & Zhang, 2012; Zhang, Lu, Gupta, & Zhao, 2014; Zhou, Zhang, & Zimmermann, 2013).

Many scholars argue that one prerequisite for successful social commerce is to orchestrate a compelling customer experience in which social interactions are fully embedded at every stage

of the customer decision-making process (Cheung, Xiao, & Liu, 2014; Huang & Benyoucef, 2013; Kim & Park, 2013; Zhou et al., 2013; Yadav, de Valck, Hennig-Thurau, Hoffman, & Spann, 2013). The importance of social interaction is widely recognized in e-commerce environments (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004; Liu, 2006; Park & Kim, 2008; Yap, Soetarto, & Sweeney, 2013; Lu, Li, Zhang, & Rai, 2014); consumers are eager to obtain more relevant product information and professional suggestions (e.g., ratings, comments, and recommendations) from others' expertise and experience since products have become increasingly complex and technical in nature (Godes et al., 2005). This type of information is often termed user-generated content and is perceived as a more reliable source of information than traditional media (Goh, Heng, & Lin, 2013). It can be produced and diffused quickly through various social interaction activities that will assist consumers in making timely and accurate purchase decisions (Huang & Benyoucef, 2013). Since social interaction is likely to fulfill an essential role in shaping consumers' decision making behaviors, it is important to understand how the social interactions that take place in social commerce environments contribute to marketing potential.

Social interaction can be broadly defined as any actions an individual engages in that affect other consumers' valuations or decisions regarding a product or service (Godes et al., 2005). Previous studies have suggested that online consumers who take part in a variety of social interaction activities are most likely to follow

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through with their intention to make a purchase. However, most of these studies have focused exclusively either on the design features of social commerce issues (e.g., [Curty & Zhang, 2013](#); [Hajli, 2015](#); [Huang & Benyoucef, 2013](#); [Wang & Zhang, 2012](#)) or social influence issues (e.g., [Hajli, 2014](#); [Hsiao & Wang, 2015](#); [Liang et al., 2011](#); [Luarn, Kuo, Chiu, & Chang, 2015](#); [Wang & Hajli, 2014](#)) as they seek to understand how consumers interact with each other through Web 2.0 technologies in social commerce environments. As yet, the role of social interaction still remains vaguely understood, and the link between social interaction and consumer intention and behavior has not been examined.

Furthermore, most social commerce-related studies have tended to treat consumer perception or intention (e.g., intention to buy) as the ultimate outcomes of their model ([Liang et al., 2011](#); [Park, Shin, & Ju, 2014](#)). [Yadav et al. \(2013\)](#) suggest that future research in this area should examine the path from social interaction to transaction, because frequent interactions in virtual environments may not endorse the probability of an eventual sale. To bridge these gaps, this study sets out to answer the following research question: Do social interactions in the social commerce environment affect consumers' intention to purchase, which in turn leads to actual purchase and post-purchase behaviors?

To answer this question, we start by conceptualizing the social interactions and consumer decision-making process and then move on to examine contemporary theories that link these social interactions with the outcomes of consumers' decision making process. The main goal of this study is to explore how social interaction activities (i.e., WOM communication and observing other consumers' purchases) affect the intention to purchase, and whether these activities in addition increase the probability of making an actual purchase in the context of social commerce.

This paper is organized as follows: the following three sections review the literature on the antecedents of purchase intention in social commerce, and propose the theoretical model and associated hypotheses guiding this research. In Sections 5 and 6 we describe the research method and present the results of our analysis. The final two sections discuss the contributions of this study and the implications for management scholars and practitioners.

2. Literature review: antecedents of purchase intention in social commerce

Social commerce is defined as “exchange-related activities that occur in, or are influenced by, an individual's social network in computer-mediated social environments, where the activities correspond to the need recognition, pre-purchase, purchase, and post-purchase stages of a focal exchange” ([Yadav et al., 2013, p. 312](#)). Social commerce is thus a combination of shopping and social networking activities that support social interaction activities in the buying and selling of products and services in online settings ([Wang & Zhang, 2012](#)). Although interest in social commerce has begun to attract some academic attention, it has not yet generated a rich body of literature in this research stream. We therefore began by identifying relevant articles using the Web of Science database to search for the keyword “social commerce” in English appeared in the titles of articles; focusing on the published year dating from 2010 to 2015. The search engine returned 59 results. Articles considered for inclusion in this study meet the following criteria: title; abstract and a primary focus on what motivates consumers to participate in social commerce and make a purchasing decision. Then 15 papers were reviewed more thoroughly and categorized in terms of two key antecedents of customers' intention to purchase a product within a social commerce site shown in [Table 1](#).

Many studies of social commerce have discussed the new design features of social commerce and how they are designed to facili-

tate consumer interaction and engagement and tailor consumers' decision making processes ([Curty & Zhang, 2013](#); [Hajli, 2015](#); [Huang & Benyoucef, 2013](#); [Wang & Zhang, 2012](#)). Our review suggests that specific design features of social commerce could play a critical role in enhancing consumer participation. [Hajli \(2015\)](#) points out that specific social commerce features such as recommendations, referral mechanisms, ratings and reviews all generate valuable information that strongly influences customer behavior and purchasing decisions. [Curty & Zhang \(2013\)](#) conduct an historical analysis of the actual e-commerce websites and find that website technical features regarding transactional, relational and social emphases have reshaped companies' business and marketing strategies, specifically, strengthening customer and merchant ties through relational features. [Noh, Lee, Kim & Garrison \(2013\)](#) indicate that individuals' perceived usefulness and perceived ease of use predict individuals' intention to engage in social commerce, though the inclusion of price consciousness acts as a moderating variable. These studies agree that social commerce, along with its technical features and applications, allows consumers to establish new social relationships on social media platforms that not only help them collect useful product information, but also reassure them that they are making a sound decision when purchasing a product.

Going beyond an emphasis on social commerce features, a growing number of studies borrowing theories from the psychology field argue that consumers' social influences are positively the key to success of social commerce (e.g., [Hajli, 2014](#); [Hajli, Shanmugam, Hajli, Khani, & Wang, 2015](#); [Liang et al., 2011](#); [Zhang et al., 2014](#)). [Liang et al. \(2011\)](#) indicate that online customers choose to purchase products as they acquire social support and sound relationship quality from others. Similarly, building on the stimulus-organism-response paradigm model, [Zhang et al. \(2014\)](#) reveal that factors related to technological environmental features of social commerce would significantly affect customers' social influences (i.e., social support, social presence and flow), and these influences boost their intention to use social commerce sites in return. These studies highlight that social influence could be the significant determinants of the consumer's decision to purchase a product or service provided by social commerce sites.

3. Theoretical basis and research model

Drawing on WOM theory ([Arndt, 1967](#)) and observational learning theory ([Bandura, 1977](#); [Bikhchandani, Hirshleifer, & Welch, 1998](#); [Bikhchandani, Hirshleifer, & Welch, 2008](#)), we conceptualize social interactions in social commerce environments into two forms: WOM communication and observing other consumers' purchases. The original WOM theory assumes that WOM information is an indispensable experienced source created by individuals or marketers, and is then diffused by consumers or marketers to other consumers ([Arndt, 1967](#); [Engel, Kegerreis, & Blackwell, 1969](#)). WOM information aims to help consumers fully understand a service or a product before its consumption and might also shape expectations of service ([Bansal & Voyer, 2000](#); [Zeithaml and Bitner, 1996](#)). The rise of social media allows WOM theory to evolve from the concept of linear marketer influence to one based on network coproduction. The concept of network coproduction assumes that consumers are regarded as active coproducers of value and meaning and WOM communications are coproduced in consumer networks, groups, and communities. With this new insight, WOM theory is particularly well suited for investigations of consumer social interactions in social commerce environments.

WOM communication can be viewed as “a verbal informal communication occurring in person, by telephone, email, mailing list, or any other communication method” ([Goyette, Ricard, Bergeron, &](#)

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