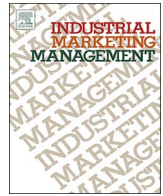




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Online group buying: Some insights from the business-to-business perspective

Weng Marc Lim

Monash University Sunway Campus, School of Business, Jalan Lagoon Selatan, 46150 Bandar Sunway, Selangor Darul Ehsan, Malaysia
 Swinburne University of Technology Sarawak Campus, Faculty of Business and Design, Jalan Simpang Tiga, 93350 Kuching, Sarawak, Malaysia

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ABSTRACT

Extant marketing research has examined online group buying (OGB) from the consumer behavior perspective. The goal of this article is to broaden understanding of OGB by offering insights into the topic from the business-to-business (B2B) perspective. In doing so, it offers insights to help stimulate greater interest in and scholarly work on better understanding and improving B2B relationships and outcomes in OGB. Three discovery-oriented qualitative studies were conducted and analyzed using content analysis with an interpretive approach and contingency theory as a theoretical lens. The findings reveal that marketing exchanges through OGB offers businesses the opportunity to raise corporate and product brand awareness, gain an immediate pool of large groups of customers, expand the customer base, sell other products, contribute to better cash flow, encourage positive word of mouth, and increase sales during non-peak sales periods. However, marketing exchanges through OGB may also be challenging for businesses in terms of maintaining business profitability, managing costs, withstanding competition, obtaining support from OGB website operators, and managing customer expectations of continued discounts. These findings should help businesses that promote and sell their products through OGB to become better informed of the potential benefits and pitfalls of engaging in OGB, and thus improve their navigation in the OGB marketplace to achieve desired marketing outcomes.

1. Introduction

The global economic downturn that world markets experienced at the end of the first decade of the 21st century has had significant repercussions on the way contemporary businesses perceive the market and devise their marketing strategies. For many businesses, the target markets they serve have displayed eroding confidence and buying power and thus have set stricter priorities and reduced their spending (Quelch & Jocz, 2009). However, no two economic downturns are exactly alike (Almunia, Benetrix, Eichengreen, O'Rourke, & Rua, 2010), which puts business marketers in poorly chartered waters and creates greater pressure to find innovative solutions that will not only ensure business survival during such challenging times but also generate desired profits and returns on investment.

One business model that has emerged from the recent world economic crisis is online group buying (OGB). Originated in the late 2008s by Groupon in the United States, this new and innovative business model has since taken the world by storm—businesses and consumers alike. The basic tenet of this business model is that an agent (1) facilitates the marketing exchange process between buyers and

sellers over the Internet for either a commission based on a percentage from sales or a nominal service charge from sellers and (2) utilizes the collective buying power of consumers to persuade sellers to offer products at lower prices in return for immediate and greater numbers of products sold (Lim, 2014a, 2014b, 2015, 2017). Thus, OGB websites serve as a channel for businesses to gain an immediate pool of large groups of customers and for consumers to enjoy products at lower prices (Lim & Ting, 2014).

On the surface, the OGB business model appears to create a win-win situation for all parties involved in the transaction (i.e., businesses [as sellers], consumers [as buyers], and OGB website operators [as agents between buyers and sellers]). For example, extant cooperative strategy literature shows that businesses that form cooperative alliances, especially small and medium-sized enterprises, can leverage their collective strength to negotiate for better deals and lower prices from their suppliers, which in turn will benefit from an immediate pool of larger business-to-business (B2B) customers (e.g., Chang, Chiang, & Pai, 2012; Griffith & Pol, 1994; Hult, Ketchen, & Chabowski, 2007; Mudambi & Aggarwal, 2003). However, to better understand how the OGB business model can bring greater benefits and reduce any short-

E-mail addresses: lim@wengmarc.com, wlim@swinburne.edu.my.

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comings to the parties involved, there is a need to explore the opportunities and challenges that characterize the business model. More specifically, OGB is a new and innovative business model that, to date, has not been fully investigated. Identifying and evaluating the extant contribution (and feasibility) of OGB as a business solution to attaining desired business goals, such as those related to customer awareness, acquisition, and retention and direct- and cross-selling of products (Geiger & Turley, 2005; Richards & Jones, 2008; Sharma & Mehrotra, 2007; Zhang, Baxter, & Glynn, 2013), is important to gain a multifaceted understanding of the OGB phenomenon from the B2B perspective. Such an investigation should also extend existing and add new conceptual boundaries and perspectives of group buying, especially because the traditional approach to group buying in extant B2B literature is that of a buying center, whose goal is to bring together key decision makers (e.g., approvers, buyers) in the buying process for goods and services (Albert, 2003; Brinkmann & Voeth, 2007; Brown, Zablah, Bellenger, & Donthu, 2012; Swani, Brown, & Milne, 2014; Swani, Milne, Brown, Assaf, & Donthu, 2017; Verville & Halington, 2003). Moreover, despite being a new and innovative business model with bright prospects for fruitful business outcomes, the strategy adopted by one business to promote and sell on OGB websites may not yield the same outcomes for another business. This assumption is based on the premise of contingency theory, which suggests that no one strategy fits all businesses (Heirati, O’Cass, Schoefer, & Siahtiri, 2016; Sok & O’Cass, 2011; Zott & Amit, 2006). Nonetheless, finding the best way to approach business decisions given a certain type of operating environment is possible (Benson-Rea, Brodie, & Sima, 2013; Scott, 2003; Young, Parker, & Charns, 2001), and thus investigation in this direction (i.e., using contingency theory) holds great potential in the pursuit of delivering meaningful recommendations for businesses intending to participate in the OGB business model.

Thus, the goal of this study is to broaden understanding of OGB by offering insights into the topic from a B2B perspective with regard to the opportunities and challenges businesses face when promoting and selling products on these websites. In doing so, this study relies on contingency theory as a theoretical lens to generate and map, on the basis of discovery-oriented data from three interrelated qualitative studies (one primary and two secondary), the multifaceted ways to use a group buying agent in the supply chain of a multichannel (i.e., physical and online) business environment to accomplish desired business goals. This investigation offers two major contributions. First, the study contributes to theory by shedding light on the opportunities and challenges faced by businesses that engage in promotional and sales activities on OGB websites. It also contributes to theory by accentuating the usefulness of contingency theory as a mapping mechanism to outline the extant contribution of a specified business model (i.e., OGB business model) for different types of businesses. Second, this study contributes to practice by assisting businesses in making better-informed strategic marketing decisions to capitalize on potential benefits and avoid possible pitfalls when engaging in marketing exchanges on OGB websites.

2. Literature review

2.1. OGB

The increase in products offered and purchased through OGB websites indicates the strong potential for e-commerce through OGB. Representing a compound annual growth rate of 35.1% between 2011 and 2015, consumer spending on OGB websites is estimated to reach US \$3.9 billion by 2015 (BIA Kelsey, 2011). Groupon, the pioneering innovator of the OGB business model, currently operates in more than 500 cities and 44 countries by persuading sellers to offer products on their website at discounted prices when consumers come together as a group and make collective purchases for the products offered (Singh, 2012). Dubbed by *Forbes* (2010) as the “fastest growing company ever”

and listed in *Fortune's* (2013) “1000 fastest-growing companies by revenue,” Groupon’s success has sparked an increase of OGB websites throughout the world. For example, China has more than 1215 OGB websites with over 95 million customers per month (*China Tech*, 2014; *Global Times*, 2010). As such, the group buying population has become the focus of much attention from both academics and business practitioners.

However, research on this form of e-commerce remains relatively new, compared with other forms of e-commerce, such as e-auctions (Jap, 2003; Park & Bradlow, 2005), e-banking (Bradley & Stewart, 2003; Poon, 2007), e-shopping (Brown, Pope, & Voges, 2003; Wilson, 2010), and e-retailing (Cowles, Kiecker, & Little, 2002; Srinivasan & Moorman, 2005). Shiao and Luo (2012) examined the factors affecting OGB intentions and satisfaction using social exchange theory. They found that reciprocity, trust, satisfaction, and vendor creativity predicted OGB intentions and reciprocity and trust predicted customer satisfaction. In contrast, Coulter and Roggeveen (2012) investigated the relationship between the information posted on OGB websites and the purchase likelihood of consumers as a group. They found that providing previous buyer-number information and imposing a purchase limit positively influenced consumers’ decisions to purchase but providing information on time to expiration (if relatively long) produced adverse effects. The work of Cheng and Huang (2013a, 2013b) adds to the previous works by exploring the antecedents and consequences of OGB intentions using the theory of planned behavior. Using an online survey, their study concluded that electronic word of mouth (WOM), relational embeddedness, and service quality influenced potential customers’ intentions to engage in OGB and that structural and relational embeddedness and system quality were the primary influencers of current customers’ intentions to continue engaging in OGB. More recently, Lim and Ting (2014) examined consumer acceptance and continuance of OGB using the technology acceptance model. They found that perceived usefulness, perceived ease of use, and perceived risk significantly influenced consumers’ attitudes toward OGB, which in turn had a significant effect on their intentions to use OGB websites.

Despite these cited works and the plethora of other studies in the area (e.g., Erdogmus & Cicek, 2011; Hsu, Chang, Chu, & Lee, 2014; Liao, Chu, Chen, & Chang, 2013; Lim, 2014a, 2014b, 2015, 2017; Luo, Andrews, Song, & Aspara, 2014; Tsai, Cheng, & Chen, 2011; Wang & Chou, 2014), one notable observation suggests that existing research has largely focused on the consumer behavior aspects of OGB, especially in terms of identifying the factors that encourage consumers to engage in OGB. Although this contributes to the understanding of how buyers behave when making group purchases over the Internet, it creates a knowledge gap on the supply side of the OGB business model (see Fig. 1). More specifically, it remains unclear what opportunities and challenges businesses face when promoting and selling products on OGB websites. Understanding these peculiarities and their impact on business outcomes is important for businesses (1) to gain a better understanding of how to use an OGB approach, (2) to effectively spot the avenues for business growth, and (3) to identify potential pitfalls that could lead to bad business decisions. Thus, the current study attempts to address the identified research gap by providing insights into OGB from the B2B perspective.

2.2. Contingency theory

The concept of business strategy has emerged as a cornerstone of both marketing theory and practice. Given the complexity and continuous evolution of market conditions (e.g., micro and macro environments), scholars in strategy and related disciplines (e.g., marketing, management) have recognized that no universal set of strategic choices is optimal for all businesses (Böhm, Eggert, & Thiesbrummel, 2017; Chen, Ellinger, & Tian, 2011; Fredericks, 2005; Heiens & Pleshko, 2011; Kaipia & Turkulainen, 2017). This orientation, referred to as contin-

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