



# Social interaction and continuance intention in online auctions: A social capital perspective

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## ABSTRACT

This study explores how interaction within an online auction community affects online auction actor intention to continue trading with others. Adopting a social perspective drawing on social capital theory and IS literature, this study investigates how interactions among actors contribute to the creation and advancement of social capital. The analytical results demonstrate that the influence of user interaction on continuance intention in online auctions is mediated by the creation of various dimensions of social capital at the community level. Finally, the implications of the study findings are discussed.

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## 1. Introduction

Online auctioning has proven to be one of the most successful and rapidly growing business models for electronic commerce. Users of online auctions range from individuals conducting online “garage sales”, to companies liquidating unwanted inventory [7], and business-to-business “hubs”. However, unlike traditional auctions, online auction transactions are limited by two forms of uncertainty: uncertainty regarding the quality or condition of the goods for sale and uncertainty regarding trader trustworthiness, owing to the ease of creating pseudonyms at will. To overcome these deficiencies, online auctions tend to rely on interaction mechanisms such as trader reputation ratings, online Q&A, and message boards to help potential buyers make purchasing decisions and enhance the overall trading experience [82]. Numerous studies have shown that reputation systems are crucial in building trust and thus encourage trading among strangers online [16,28,29,51,56]. However, recent research has pointed out a relatively incoherent relationship between reputation (which is an objective construct) and trust (which is a subjective construct) [41]. Additionally, despite unfair or dishonest practices such as inflation of reputation becoming increasingly prevalent in online auctions [7], people appear unconcerned with the risks associated with online transactions. Thus, the relationship between interaction mechanisms (such as reputation systems) and trustworthiness behaviors is unclear. For online auction management teams, continued member participation is one of the key determi-

nants of virtual community success. Researchers and online practitioners face an important problem, namely why people continue to trade with strangers online given the uncertainty and the influence of interaction mechanisms (such as reputation systems) on their attitude and online behavior, such as trust/trustworthiness and continuance intention/behavior. This question has not yet been explored and remains vague and unsystematic.

Previous studies have classified the motivations of continuance usage of web sites into system attributes (such as information quality, usefulness, and ease of use) [9,25,30,54] and individual attributes (such as trust, loyalty, and satisfaction) [13,14,35,64]. However, analysis based only on these two types of attributes is insufficient for online services in that it ignores the effects of interaction within online communities. To fill this gap, several studies have put emphasis on the fact that online auctions not only create a new transaction way but also organize auction participants into communities [5,7,18,24,28,51,72,77]. Meanwhile, several studies [5,41,44] highlighted that social factors (such as social interaction and social structure) can influence online auction user behavior. For example, in [41] they argued that trust is a subjective construct and reputation is “a quantity derived from the underlying social network”. Accordingly, the subjective trust of social actors can be considered “a combination of received referrals and personal experience”. That is, social factors such as “transitive trust path” can help community members derive trust. Furthermore, the largest online auction website in the world, eBay, recently launched a new social networking based application called “neighborhoods” [45]. This new feature encourages users to establish personal communities by posting photos, product reviews, tips and responses. Users thus can provide a more visual and interactive experience environment than that offered by the previous

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text interface, enhancing member usage of auction services. This news reveals that examining social factors of an online community can shed light on user online interaction behaviors. However, despite all the attention paid to this area, there have been few empirical studies examining continuance intention of web sites by adopting the perspective of social interaction in online communities. To incorporate the possible influence of interaction on behaviors online, this study adopts a social perspective by examining both the nature of online interaction and the social context of individual interactions. This perspective resonates with the following studies that draw attention to the importance of social environments.

First, Lamb et al. [46] suggested that theories regarding the use of information and communication technologies (ICTs) should consider the importance of complex social environments. Lamb contended that most users of ICTs applications interact with others in multiple social contexts, and thus IS researchers should conceptualize ICTs users as social actors to “more accurately portray the complex and multiple roles that people fulfill while adopting, adapting, and using information systems.” In online auction environments, interaction between buyers and sellers can be considered an example of voluntary associations using ICTs. Such voluntary behavior can be one of the sources nurturing norms, trust, and other collective resources that are essential to community growth [50,62,69]. In examining the drivers of community-based ICTs, the social interaction perspective helps shift the focus from the individual to the community level and thus helps in considering the interplay between individuals and the community. In the light of social interaction within online communities, the following sections consider the term “social actor” to represent online auction players who may act as sellers, buyers, or both.

Second, most studies of trust in online business models have tended to focus on trust as an antecedent to initial web usage or acceptance, and have devoted little attention to its effects on continued usage. Previous studies [6,7,21,35,59,64] have identified various types of trust: personality-based trust [35,83], knowledge-based trust [70], institution-based trust [35,65,83], calculative-based trust [65], cognition-based trust [35], and relational trust [65,70,83]. Furthermore, trust has been identified as a crucial influence on risky transactional relationships, such as online transactions. For example, in the study of Pavlou and Gefen [35,59], institutionalization of trust, such as market-driven reputation systems or third-party involvement, was considered a primary means of creating effective online marketplaces. Their study suggested the importance of establishing trust mechanisms in attracting traders, whether naive or experienced, who have not previously traded in a specific marketplace. While trust mechanisms are essential in attracting first time traders, it is interesting to consider why two auction sites with identical trust mechanisms may not achieve equivalent success in fostering communities. To understand why online auction actors continue to participate in online auction communities and conduct business with strangers, it is necessary to go beyond the antecedents to initial trust and examine the causes of continuance intention. This study focuses on the social context within which an online site mobilizes sense of community to improve trust relationships.

This study attempts to understand how interaction within an online auction community affects the intention of the online auction actors to continue trading. This study views online auction sites as social contexts for interaction among social actors, namely traders. The process of linking social interaction and intention to continue a relationship involves numerous interrelated factors. Among possible approaches, this study draws upon social capital theory to propose and empirically examine a research model of continuance intention. Previous studies employed the concept of social capital to assess the quality of relationships resulting from social interactions within communities and how they affect the ability of actors to achieve shared goals [4,63]. Social capital is sometimes viewed as a pool of resources that should be tapped via the social ties embedded in social

networks. From this perspective, social ties can be conceived by community members as certifications of individual “social credentials” [50].

Furthermore, social capital is considered a proxy for the ability to mobilize resources embedded in relational networks (such as Q&A or reputation interaction) to achieve higher status [50] via “a series of non-negotiated or reciprocal exchanges” [71]. This study examines the performance of online auction as evaluated by actors in terms of continued usage intention. Specifically, this work investigates how actor interactions contribute to creating and advancing social capital, and how social capital reciprocally promotes further internet auction use. A model based on Nahapiet and Ghoshal's three dimensions of social capital [57] is employed for empirical testing to understand how social capital is fostered and resources mobilized within an online auction community through interaction among actors. This study contributes to understanding of online communities and thus helps provide a detailed explanation of how and to what extent online auction sites and actors with different levels of reputation and interactive resources influence the continued use of online auction services.

The remainder of this paper is organized as follows: the first section reviews the literature on IS continuance usage and social interaction, and discusses the three dimensions of social capital in the transaction-oriented virtual community. Second, the research model is developed and empirically tested using survey and objective data, namely trading volume from Yahoo! Taiwan Auctions, the largest auction website in Taiwan. Finally, the results of model testing are presented and their implications discussed.

## 2. Theoretical background

With growing numbers of social interactions occurring online, researchers have shifted their focus from real world to online platforms to explore the effects of social interaction on social capital [15,26,31,69,74,78]. Since some social interactions may “carry more valued resources and exercise greater power” [50], the same phenomenon may also occur for online auction traders. For example, consider a situation involving sellers A and B both selling the same product at the same price. Seller A is involved in numerous discussion and Q&A sessions, while seller B does not participate in any of such discussions. From the perspective of the interaction network, seller A may occupy a more valuable position than seller B. Furthermore, some buyers may be inclined to bid on the product of seller A rather than that of seller B. Previous studies have observed that theoretically, social interaction is the fundamental cause of social capital [50,57] in physical setting while other studies have shown that online social capital can be fostered via online interaction, increasing the effectiveness and efficiency of online community activities.

However, different types of social interaction exist in online settings, including forum actors asking and answering questions, traders conducting online bids or transactions, individuals browsing the blogs of friends, and classmates and families sharing messages and symbols via MSN Messenger. This study thus first introduces the essential concept of social interaction in online auctions to identify the properties of social interaction among auction actors.

### 2.1. Social interaction in online auctions

Some studies have defined social interaction as “ties” [78] or “interaction ties” [26,75]. Regardless of the terminology used, social interaction refers to a link established via reciprocity behavior between two actors. Most studies dealing with online social interactions have been limited to knowledge-oriented communities [26,74,78], such as discussion forums regarding specific topics or open source software forums [31]. Rather than focusing on knowledge-based communities, this study focuses on online auction

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