



Do actions speak louder than voices? The signaling role of social information cues in influencing consumer purchase decisions



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ABSTRACT

The rise of social media has facilitated consumer social interactions. Many product-focused online social platforms have included design features that can convey more information about product quality as well as the credibility of the members of the social community. Drawing on information signaling theory, we empirically examine how the two social information cues frequently found on online social communities, action-based social information (i.e., peer consumer purchase) and opinion-based social information (i.e., peer consumer review), influence consumer purchase decisions. We also explore the moderating role of consumer characteristics, consumer engagement and consumer expertise. Analyzing panel data ($n = 39,897$) collected from a popular online beauty community, we found that consumer purchase decisions are indeed influenced by the two social information cues and that action-based social information is more influential than opinion-based social information. Furthermore, our results show that both consumer engagement and consumer expertise play an important moderating role in consumer purchase decisions, albeit in opposite direction: Whereas consumer engagement exerts a positive moderating effect, consumer expertise is found to have a negative moderating effect. This study contributes to existing literature by providing an evaluation on the signaling role of online social community features in consumer purchase decisions. The results offer important and interesting insights to IS research and practice.

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1. Introduction

The rise of social media has facilitated consumer social interactions. Consumers use online social platforms, including social networking sites, blogs, social shopping communities, and consumer review sites, to communicate opinions about products and exchange purchase experiences [16,37,41]. These online social communities have become important information sources that initiate or simplify consumer purchase decisions. Many online social communities have developed and included design features, such as the display of social information cues that can convey more information about product quality as well as the credibility of the members of the social community. Peer consumer purchase and peer consumer review are two popular social information cues that are commonly adopted to facilitate consumer purchase decision making [15]. Peer consumer purchase provides an informative signal of quality that encourages consumers to follow actions of their predecessors, leading to what

is called herd behavior [3]. Peer consumer review is frequently described as electronic word-of-mouth (eWOM) communication. This opinion-based information can contain positive or negative statements made by potential, actual, and former consumers about a product or a company through the Internet [27]. Prior literature has shown the significant role peer consumer review plays in shaping a consumer's purchase decision [18,38,45].

With the popularity of social media technologies, consumers increasingly engage in online social communities and actively share their experiences with, evaluations of, and opinions on products and brands with other consumers [37]. This may result in vast amount of user-generated information in online social communities and create information overload on consumers [46]. Hence, research is needed to address this challenge and understand how online social information affects consumer purchase decisions. In particular, researchers should explore the relative impact of the two commonly adopted social information cues (i.e., peer consumer purchase and peer consumer review) on consumer purchase decisions, and investigate which type of social information cue is more effective in driving consumer purchase behaviors. A good understanding of the impact of the two major social information cues is essential for developing e-marketing strategies for effectively managing consumer online social interactions.

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In recent years, we have witnessed an explosion of literature focusing on the effectiveness of online peer consumer review (electronic word of mouth, or eWOM) on consumer behavior [24,25,38,40]. Similar to traditional word of mouth studies, research on online consumer reviews usually considers them a type of social influence affecting consumer purchase decisions. Existing studies have shown that, as a form of eWOM communication, online consumer reviews influence consumer product attitude, purchase intention, and actual purchase [34,45]. In contrast, we found that the second type of social information cue, peer consumer purchase, has received limited attention in the Information Systems (IS) literature. The few available studies adopted information cascades theory [7] to explain the herd behavior observed in information technology (IT) adoption [30,36,56]. To the best of our knowledge, little research has empirically investigated how publicly observable online social information about other consumers' actions (i.e., peer consumer purchase) affects a consumer's purchase decision. Furthermore, the relative impact of action-based social information (i.e., peer consumer purchase) and opinion-based social information (i.e., peer consumer review) on consumer purchase decisions remain unknown.

Online social interactions involve two parties: the *communicator* (sender) and the *receiver*. The actual impact of the information received through online social interactions indeed may vary from person to person. The same content may engender very different responses in different receivers [58], depending on receivers' experiences, engagement, and expertise. In the eWOM communication literature, researchers have found that consumer engagement and consumer expertise moderate the effect of peer consumer reviews on consumer purchase decisions [34,42,44]. However, how consumer characteristics moderate the influence of peer consumer purchase on consumer purchase decisions is not very well understood in the existing literature.

To address the gaps in the literature, we draw on information signaling theory to explain the relative impact of two social information cues, action-based social information (i.e., peer consumer purchase) and opinion-based social information (i.e., peer consumer review) on consumer purchase decisions. In doing so, we hope to shed light on the evaluation of the two different types of social information cues in online social communities. In addition, we examine how consumer characteristics, consumer engagement and consumer expertise, moderate the impact of social information cues on consumer purchase decisions. The research questions for this study are as follows:

1. How will the two social information cues, peer consumer purchase (i.e., action-based social information) and peer consumer review (i.e., opinion-based social information) influence consumer purchase decision?
2. Which type of social information cues will have stronger impact on consumer purchase decision?
3. How will consumer engagement and consumer expertise influence the relationship between the two social information cues and consumer purchase decision?

In the present study, we address these research questions by gathering and analyzing a unique data set from a popular online beauty shopping community in Asia. To summarize, we expect that the current study makes four significant contributions. First, previous work has primarily focused on the effectiveness of online peer consumer reviews in traditional online communities. Our paper examines consumer purchase decision in a new social media arena, online social communities. Second, existing studies have empirically shown that online consumer reviews influenced consumer purchase decisions. However, the second type of social information cue, peer consumer purchase, has received little attention in the IS literature. In this study, we explore the relative impact of the two commonly adopted online social information cues (i.e., peer consumer reviews and peer consumer purchases) on consumer purchase decisions, and investigate which type of social information cue is more effective in driving consumer purchase behaviors. Third, we notice that how consumer characteristics moderate the influence

of online social information cues on consumer purchase decisions is not very well understood in the existing literature. This study attempts to show the moderating role of consumer engagement and consumer expertise in consumer purchase decisions. Finally, the evidence found in previous studies has primarily been derived from data collected through a subjective approach (e.g., via survey or experimental design). In this study, we crawl data from a real social community and investigate the relative impact of online social information cues on consumer purchase decisions.

The remainder of this paper is structured as follows. First, we present the theoretical foundation for this study and introduce our research model. We then describe the methodology of the study and present the results of data analysis. Finally, we conclude with a discussion of the theoretical and practical contributions of our work. We also address the limitations and future research directions.

2. Theoretical background

2.1. Online social information

The growing availability and popularity of online social platforms (e.g., social networking sites, online discussion forums, blogs, and online shopping communities) have significantly increased the importance of online social information as a market force [26]. Consumers can easily learn from and be affected by action-based social information (e.g., peer consumer purchase) and/or opinion-based social information (e.g., peer consumer review) from online social platforms [14].

Following others' action (or the so-called herd behavior) has been well-documented in a number of diverse domains [48], including stock market [50], political choice [4], technology adoption [54], and consumer preferences [15]. Information cascades, sanctions on deviants, positive payoff externalities and conformity preference are the primary mechanisms explaining herd behavior in the existing literature [24]. In recent years, herding has also been adopted by IS researchers to explain online auctions and software downloading [24,51]. These studies empirically showed that, given their imperfect knowledge, consumers were strongly influenced by the information inferred from others' behavior (e.g., bid numbers and download counts).

Opinion-based social information in the form of eWOM communication can take place in various channels. For example, consumers can post their opinions, comments, and reviews of products on weblogs (e.g. xanga.com), discussion forums (e.g. zapak.com), review websites (e.g. Epinions.com), e-bulletin board systems, newsgroups, and social networking sites (e.g. facebook.com). Prior research has demonstrated an association between eWOM and product sales/revenue and mostly explained this association through either awareness effects or persuasive effects [21]. A considerable number of studies have further showed that only the volume of consumer reviews is significantly associated with product sales [13,20,24,38].

2.2. Information signaling theory

Akerlof [1] argued that quality signaling is a solution for information asymmetry. When facing a market interaction, different parties often have different amount of information regarding the transaction [52]. For example, sellers know the quality of their products or services, but buyers are not fully informed about the true quality of a product prior to purchase. One solution to this problem is for sellers to send pre-purchase signals about their quality through brand name, price, advertising expenditures, and warranty [31]. Signaling theory has been applied in consumer research to explain how consumers rely on signals (e.g., informational cues that are actions or artifacts of businesses) to form expectations about quality [9].

In recent years, researchers have begun to apply signaling theory to explore how IT features affect consumer participation in the online environment. For example, Li et al. [35] drew on signaling theory to

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