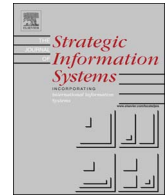




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Effects of consumer visit to online community and product channel on local sales of large consumer goods: Evidence from real estate industry[☆]

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ABSTRACT

Online intermediaries have become important information sources for consumers' purchase decision making. However, the economic values of consumer visits to two online intermediaries, namely, online community and product channel, have not been well studied. By collecting a dataset on consumer visits from a large real estate website to match with local offline housing sales data, we empirically explore the respective, relative, and interaction effects of consumer visits to online communities and product channels on sales of large consumer goods. We control for relevant factors, account for potential endogeneity issues, and perform various robustness checks to validate the consistency of our findings. Our results show that consumer visits to online communities have a more significant effect than those to product channels in driving sales. However, the interaction effect of consumer visits to these two online intermediaries on sales is negative. We also find that consumer website-related experience has a significant moderating effect on the relationship between consumer visits to product channels and sales. Our findings provide important theoretical contributions and managerial implications.

Introduction

Online intermediaries have become popular in recent years. We distinguish two types of online intermediaries, i.e., online community and product channel. *Online communities* are defined as websites containing and sharing communication contents, including product reviews and discussions from consumers (e.g., shopping experiences, individual preferences, as well as questions and answers). *Product channels* are defined as websites showing and exhibiting product information, which embed product descriptions and marketing activities by marketers (e.g., key attributes of products, promotional activities and persuasive advertising). Online communities and product channels have two major differences. First, for consumers, online communities serve as a venue for free communications with marketers and other members to become better acquainted with the products, whereas product channels do not interact with consumers. Hence, they are only used to obtain objective product information. Second, for marketers, online communities provide approaches to execute mutual communications with consumers, whereas product channel is a tool for them to convey information unidirectionally to consumers. Given these functionalities, user interaction contents in online communities usually supplement product descriptive information from marketers in product channels. Thus, firms seek to set up both online communities and product channels, typically on one online platform, which can provide two information sources that allow consumers to obtain more comprehensive information that reduces uncertainties in their purchase decisions. This study is motivated by

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the lack of empirical research that investigate the effects of consumer visits to online communities and product channels on the sales of large consumer goods particularly on three essential aspects, despite consumers and marketers' prevalent use of online intermediaries.

First, we attempt to determine whether consumer visits to online intermediaries will drive offline sales. Previous studies have focused on the effects of visiting and browsing behaviors on repeated visits (Chatterjee et al., 2003; Moe and Fader, 2004a), purchase conversion rates (Moe and Fader, 2004b), and depth of search (Johnson et al., 2004). However, studies that focus on the influence of consumer visits on offline sales is scarce. Additionally, few previous studies have emphasized on unraveling the relative and potential interaction effects between online communities and product channels. Therefore, we focus on consumer visits to these two different types of online intermediaries on offline sales.

Second, we aim to fill the research gap by understanding the unexplored effect of online communities on the sales of large consumer goods. Prior studies have examined mainly the economic influences of product reviews and online discussions on small consumer goods (Chintagunta et al., 2010; Dewan and Ramaprasad, 2014; Dinner et al., 2014; Moe and Trusov, 2011; Zhu and Zhang, 2010). They have shown that marketer-generated information in product channels may increase consumers' purchase intentions and drive sales further (Goh et al., 2013; Holzwarth et al., 2006; Lee and Kim, 2010). However, most studies have overlooked large consumer goods, which are also an important product type in the consumer market. Large consumer goods are expensive special products that cannot be purchased repeatedly in the short term. Because of its high prices, consumers' search intensity increases (Richardson and Zumpano, 2012) and the time spent before deciding on the purchase of large consumer goods (which are more expensive) lengthens, requiring additional complete information and careful consideration compared with small ones (which are cheaper). Large consumer goods require more complex procedures, additional time, and energy for consumers to accomplish the transaction processes. Thus, our second focus is to unravel the unclear effects of consumer visits to online communities and product channels on the sales of large consumer goods.

Third, we assume that consumer characteristics (i.e., consumer website-related experience) may have a moderating effect on the sales effect of consumer visits to online communities and product channels in three aspects. First, large consumer goods are costly; thus, purchasing these goods requires more product comparisons and considerations. Consumers with website-related experience are more familiar with the information and members on the platform. They can easily locate valuable information. Specifically, information in online communities and product channels has a greater value for website-related experienced consumers, and hence, has a more significant effect on them as compared with novices who are inexperienced with the website. Second, consumers with website-related experience will probably use the Internet as their primary information source, and thus, are expected to be influenced by information from online intermediaries. Third, consumers with website-related experience visit the online intermediaries frequently, which indicate their interest in the website and may have stronger purchase intentions. Thus, they will be more affected by the website's contents. To examine our above assumptions, we aim to explore whether consumer characteristics (i.e., consumer website-related experience) will moderate the effect of consumer visits to online intermediaries on sales.

Based on the aforementioned research gaps, we seek to answer three research questions: (1) How do consumer visits to online communities and product channels affect the sales of large consumer goods? (2) What are the relative and interaction effects of consumer visits to online communities and product channels on sales of large consumer goods? (3) How do consumer characteristics moderate the effects of consumer visits to online communities and product channels on sales?

To answer our research questions, we collect data on consumer visits to online communities and product channels from a large real estate website in China to match with local offline sales of new houses from the real estate trading center. Our econometric specification represents the sales area of new houses as a function of consumer visits to the new house online community and the new house product channel. In particular, we use instrumental variables to address endogeneity concerns. We also perform various robustness checks to validate the consistency of our findings.

Our study has several notable findings. First, consumer visits to both online intermediaries positively affect the sales of large consumer goods. The elasticities of sales with respect to visits to online communities and product channels are estimated to be 1.620 and 1.458, respectively. Second, consumer visits to online communities are more effective than those to product channels in driving sales. Third, although consumer visits to both online communities and product channels lead to an increase in sales. However, visits to these two online intermediaries will decrease each other's positive sales effect. In other words, consumer visits to online communities and product channels have a substitute relationship. Finally, consumer characteristics have no moderating effect on the relationship between consumer visits to online communities and sales, whereas consumer characteristics have a positive moderating effect on the sales effect of consumer visits to product channels, which implies that visits of experienced consumers to product channels have a significant effect on sales relative to those of novices.

Overall, our study has several considerable contributions. First, our study contributes to the online intermediary literature by distinguishing between two different sources of online information (i.e., online communities and product channels), and exploring empirically the sales effect of consumer visiting behaviors to the two online intermediaries. We also propose a more integrative understanding regarding the relative and interaction effect of consumer visits to online communities and product channels on offline sales. Second, our research contributes to the extant literature by investigating the effects of consumer visits to online communities and product channels on sales of large consumer goods. Third, our research is a leading effort in the investigation of the moderating effect of consumer characteristics on the sales effect of consumer visits to online intermediaries. We also provide critical managerial implications for firms to develop marketing strategies for different types of online intermediaries. Lastly, we offer some discussions on potential policy implications.

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