

Group Buying: A Strategic Form of Consumer Collective

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Abstract

Existing literature on collective consumption focuses on passionate consumers of particular brands. This research examines group buying (GB), a multi-phase consumer collective activity, that creates value prior to, during and after the acquisition of products and services. Through a two-year, multi-sited, qualitative study, we examine both retailers' and consumers' motivations for participating in GB. GB is essentially a consumer collective that centers on consumer needs across brands, activities and lifestyles. This consumer collective is not initiated by brand affiliation or a consumption subculture, but by the need to discover desirable brands and obtain optimal products and services at favorable prices. Furthermore, GB empowers consumers to better protect their rights in an under-regulated market.

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Consumer collectives have been a vibrant market force over the years. In various forms, such as consumption subcultures (Schouten and McAlexander 1995), marketing tribes (Cova and Cova 2002) and brand communities (Muniz and O'Guinn 2001), consumers have joined together to participate in a range of activities. Such group endeavors create value for both the consumers and the firms they patronize. Existing research on consumer collectives focuses on the post-purchase stage of consumption and examines the development of communities after consumers acquire products and services or become devoted to particular brands (e.g., Muniz and O'Guinn 2001; Schau, Muniz, and Arnould, 2009; Schouten and McAlexander 1995). It is unknown whether consumer collectives exist in the early stages of consumption, and if so, how the collective process of product acquisition creates value for consumers and firms at those stages.

This research contributes to the literature on consumption collectives by focusing on product acquisition as opposed to post-purchase consumption behaviors. Whereas previous research focuses mainly on consumers' brand allegiance (e.g., Schouten and McAlexander 1995), we study consumers who lack brand knowledge at the stage of product acquisition. In particular, we examine group buying (GB), a strategic form

of product acquisition that has emerged as a factor in global retailing over the past decade. GB is an acquisition mechanism employed by groups of consumers to obtain volume discounts on desired goods and services.

GB has been widely adopted in various forms, including online auctions such as Mereta.com and Mobshop.com. Today, it has become an attractive business model with great potential as seen by the appeal of Groupon and LivingSocial. We study GB in the context of urban China. China has evolved rapidly from a centrally planned economy to a consumer-driven market (Zhao and Belk 2008). The surging popularity of GB in China provides a unique context for understanding how consumer collectives create value at different stages of consumption (Schau et al., 2009). From its humble start in online forums, GB has attained remarkable success in China (Aredy 2006; Montlake 2007). Shanghai-based Liba.com reportedly has 1.6 million members and attracts 300,000 unique visitors per day (Tang 2008). By October 2011, there had emerged around 4,000 GB web sites in China (<http://tech.sina.com.cn/i/2011-10-18/04196191328.shtml>).

In consumer markets, GB can be seen in three forms: (1) consumer-initiated groups formed for the purchase of specific products/brands; (2) intermediary GB groups organized by individuals or companies for purposes of making a profit; and (3) company-organized GB activities to promote their own brands and/or products. We narrow our focus to the category of consumer-initiated GB. In this form of GB, consumers join by connecting with each other on internet forums. They propose

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to buy certain products or services, such as smartphones or wedding photographs, and communicate with others who are interested in that same product or service. After extensive discussion and evaluation, they collectively decide upon a brand and model to purchase and form an ad hoc purchase team. They then negotiate with retailers for price and services in exchange for the volume sale. Such collective acquisition practices give consumers unprecedented strength in a market dominated by powerful manufacturers and retailers and largely devoid of legal protections for consumers.

We take a discovery-oriented approach and address three questions: (1) Why do consumers engage in GB? (2) Why do retailers participate in and support GB? (3) What are GB's long-term benefits to consumers? We examine the motivations for consumers to buy in groups and the long-term benefits that accrue to them. We show that GB is an acquisition-oriented consumer collective that can extend to later stages of consumption. We also discuss how the acquisition-oriented community benefits retailers and provides opportunities for them to leverage their marketing strategies. In the following sections, we begin with a review of consumption collectives and previous theoretical accounts of GB. In the research method section, we detail the methods used, the research team, research sites, and the processes of data collection and analysis. We divide findings into two parts: motivations and outcomes, in which we offer themes that cover consumers' and firms' perspectives. Lastly, we conclude with this study's contributions to consumption collective literature and its managerial implications.

Conceptual background

Group buying

Extant research on GB describes the phenomenon as an online auction activity and focuses on its pricing mechanisms such as timing and quantity (e.g., Anand and Aron 2003; Chen, Xilong, and Xiping 2007; Kauffman and Wang 2002). Kauffman and Wang (2001) study the dynamic pricing model (GB discounts) in which selling prices drop as more buyers participate. Chen et al. (2009) suggest that in order to increase demand, auction intermediaries need to provide means for bidders to cooperate and share information. Focusing on online auctions, these studies fall short of capturing the complexity and unique characteristics of GB.

The extant literature also fails to explain the mechanism of GB in several regards. First, conceptualizing GB as an automatic pricing mechanism does not account for the bargaining that occurs between consumers and firms. GB in China involves active negotiation between buyers and sellers in terms of not only price, but also product quality, accessories and options, and after-sales services. In addition, it involves a variety of consumer motivations that have not been addressed in previous research. These motivations may be a result of China's unique market constraints, such as the lack of transparency and consumer protection (Tang 2008). They may also be attributed to the collective nature of Chinese culture and society. Second, previous literature on GB regards the completion of online auctions as an end

point. The focus is on the transaction, rather than on the relationship and consumer experiences at the acquisition stage. It is unclear how the product acquisition phase helps to create value.

We will show that group buyers engage in a variety of communal practices before, during and after purchases that are far more complex and long-tailed than mere price comparison. We argue that GB is not simply a buying method but a mechanism that empowers consumers to utilize information sharing and negotiating power. Third, existing studies examine only one party among the GB participants. We adopt a dyadic perspective to explore the motivations and outcomes of GB for both consumers and firms. GB is a cooperative approach that leverages group cohesion to benefit not only individual consumers, but also participating firms through significantly increased sales volumes and reputational enhancement. GB has evolved into a vibrant business model that calls for a deeper understanding beyond the economic incentives that previous works have focused on. We situate our discussions of GB within previous work on varied consumption collectives.

Consumption collectives

Previous research focuses primarily on how consumption communities develop around strong brands and has conceptualized these consumption collectives in terms of subculture of consumption (Schouten and McAlexander 1995), marketing tribe (Cova and Cova 2002), and brand community (Muniz and O'Guinn 2001; Schau et al. 2009). A subculture of consumption is comprised of a group of consumers who share a common interest in particular brands that they have acquired and used, such as Harley-Davidson (Schouten and McAlexander 1995). Through consumption activities, participants form relationships that allow them to share experiences and provide mutual support. Their identity, motives, and commitment evolve as they engage in group-based activities.

A marketing tribe, another form of consumption collective, is characterized by fluidity, and occasional gatherings and dispersal (Cova and Cova 2002; Maffesoli 1996). Tribal marketing is more influential than marketing institutions in shaping tribe members' behaviors. Unlike traditional tribes, these neo-tribes are not bound by physical co-presence but exhibit a "local sense of identification, religiosity, syncretism, and group narcissism" (Cova and Cova 2002, p. 597). Through shared consumption practices, these tribal consumers strive to create, maintain, and recreate social links within their self-selected tribes. Consumer tribes represent a fluid form of social solidarity that may manifest in different morphologies in different markets, and at different consumption stages.

Brand communities are the most well-researched of all consumption collectives (e.g., Muniz and O'Guinn 2001; Schau et al. 2009). A brand community is marked by three elements developed through shared consumption practices over time: consciousness of kind; rituals and traditions; and a sense of moral responsibility (Muniz and O'Guinn 2001). A brand community creates value through various communal practices such as social networking, impression management, community engagement, and brand use (Schau et al. 2009). These practices work together

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