

The Role of Social Commerce on Consumer Decisions: A Theoretical Foundation

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Abstract

The advent of social commerce phenomenon has largely started gaining attention in consumer behavior literature. Apparently, social commerce has shifted more power from the seller to the buyer and predominately fueled to strengthen e-commerce acceptance. Thus, understanding consumer behavior in the context of social commerce adoption has become inevitable for business organizations that aim at elevating their bottom-line, competitiveness and ensuring sustainability. Moreover, social ties facilitated in social commerce enable trust as the most promising benefit while alleviating the perceived risk, which was the major striking concerns with online commerce over the years. Though examining the influence of social commerce on consumer behavior and decision making is started getting scholarly attention recently, adequate explanatory model laid on the relevant theoretical foundation in this regard is still fragmented. Consequently, researchers constructed this theoretical foundation with the intention of enriching extant literature and to lay a formal groundwork for investigating this phenomenon. Hence, this paper aimed to comprehend: the nature of online social networks, emerging social commerce phenomenon, the role of social support in social commerce and influence of social commerce on consumer decisions respectively.

Keywords: *Consumer Decision Making, Online Social Networks, Social Commerce, Social Support*

Introduction

Advancements in the Internet technologies in recent years have successfully brought online communities via Online Social Network (OSN) platforms. In fact, Web 2.0 is the groundbreaking technological advancement that made the paradigm shift of Internet technology to embark the virtual social environments, thus seamlessly connect each other. Consequently, people started embracing the social media including OSNs at an unprecedented way. Further, the growth of such tendency is mainly fueled by the smart mobile penetration and rapid spread of the Internet. Unlike in the past, today consumers are exposed to various sources of information in which major popularity is residing with the OSNs due to its unique functionalities of enabling users to co-create content as well as the ability to interact with others. Besides, such OSN platforms are becoming an important tool for business organizations to attract consumers and market their products, services and events. In fact, OSN platforms have now been highly recognized as commercialized platforms equipped with virtual social interactions. Thus, academia and practitioners coined the term as “Social Commerce” to name this technologically advanced phenomenon.

It is evident that the Web 2.0, predominantly including OSN sites has a major impact on our behavior. In fact, from a commercial point of view, it has extended its impact on offline and online purchasing decisions of consumers (e.g., Forman et al., 2008; Hajli, 2015; Han & Windsor, 2011; Kwahk & Ge, 2012; Stephen & Galak, 2012; Wang & Yu, 2015). Hence, as a result, “Social Commerce” and allied “Social Media Marketing” have emerged and trended. Subsequently, OSNs led to strengthening e-commerce adoption by building the trust and minimizing the perceived

risk, which was strongly driven by the online community social support. Social Commerce uses Web 2.0 social technologies and infrastructure to facilitate interactions and user contributions in an online context to support consumers' acquisition of products and services (Liang & Turban, 2011). Importantly, OSN environments facilitate consumers not only to buy the products and services but also to co-create content that adds value to both the consumer and seller (Do-Hyung et al., 2007). Hence, consumers are becoming active content creators on the Internet in contrast to the preceding traditional passive behavior (Hajli, 2012). OSNs are no longer a niche media as people have widely adopted and are using them to a greater extent. Hence, the applicability of social commerce may not be fragmented to any demographic and geographical profile. In fact, social commerce can be accepted as a global phenomenon. Consequently, organizations and marketers should not be sceptical on harnessing the benefits of social commerce.

Marketers are highly keen on analyzing the consumer behavior than the past due to evolving nature of intense competition. Importantly, understanding consumer decision making process stages with respect to any product, service or event is conceived as the fundamentals of analyzing consumer behavior, thereby crafting strategic marketing decisions. It is evident the fact that consumer perception and preference have been started to shift from traditional commerce to the online commerce with the increasing likelihood of embracing the Internet in their lives. Therefore, marketers could not resist observing online consumer behavior for them to succeed. Precisely, analyzing consumer behavior in OSNs is imperative for marketers' decision making. Provided this rationale and accepting notions by the scholars, researchers highlights that the consumer decision-making process stages is believed to be the heart of

the consumer behavior, hence vital to incorporate in social commerce studies. Yadav et al. (2013) coined the fact that implications of social commerce on consumer decision making process stages are worth investigating for firms to leverage. Furthermore, Zhang and Benyoucef (2016) affirmed that there exists a theoretical and an empirical gap in investigating the above-mentioned phenomenon as available literature mostly attempted to assess the impact of social commerce on individual stages or few stages at a time instead of comprehending the holistic consumer decision making process stages. Consequently, this paper intends to lay a theoretical foundation to comprehend the impact of social commerce towards an integrative model incorporating all the consumer decision steps anticipating new knowledge.

Theoretical Foundation

Social Media and Online Social Networks

The Internet has transformed many spheres of society. Social media that includes various Web 2.0 applications have become the most popular online destinations in recent years. Kaplan and Haenlein (2010) defined the social media as “a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content”. Further, they classified social media into six different types based on the social presence/media richness and self-presentation/self-disclosure namely: collaborative projects, blogs, content communities, social networking sites, virtual game worlds and virtual social worlds.

Generally, OSNs (which are commonly grouped under the umbrella term “Social Media” or “Web 2.0”) are web-based services that allow a person

to create a profile in a given system and enable to build connections with other users in the same system, allowing to view and navigate among themselves (Boyd & Ellison, 2007; Kaplan & Haenlein, 2010). Importantly, such OSNs allow communities of people to gather online, share information, knowledge, and opinions (Kaplan & Haenlein, 2010). In fact, OSNs are a major category of web-based communication applications which have been widely used by the typical Internet users on a daily basis. Most notably, the advent of OSNs including Facebook has attracted millions of users worldwide (Boyd & Ellison, 2007). The rapid growth and accessibility of OSNs have fundamentally changed the way people manage information about their personal and professional lives. Increasing use of OSNs is mainly reasoned by the ease of use, allowing rapid updating, analyzing and sharing information, establishing and maintaining spontaneous social contacts and relationships, supporting informal learning practices with interaction and communication, etc. Accordingly, OSNs have become a global phenomenon and attracted extensive population from all around the world despite the different demographical characteristics. Today, OSNs are increasingly attracting the attention of academia and researchers as usage of OSNs have become often human activity. Apparently, there are plenty of OSNs with various technological affordances and supporting a wide range of interests and practices.

Facebook as an Online Social Network

The inception of OSN Facebook has been one of the groundbreaking socio-technological trends in the recent past. Facebook define itself as “a social utility that helps people share information and communicate more efficiently with their friends, family and coworkers”

(www.facebook.com). OSNs, including Facebook, are widely accepted and adopted by the worldwide Internet users. Approximately, 2 billion Internet users are using OSNs, and these numbers are expected to grow continuously as a result of increased usage of smart mobile devices and widely spreading Internet accessibility (Statista, 2016). Among the other OSNs, Facebook has become the most popular OSN and contributes significantly to a larger proportion of overall Internet traffic (eBizMBA Guide, 2016). As of December 2016, there were approximately 1180 million daily active users of the Facebook around the globe (Social Bakers, 2016). In fact, Facebook had a tremendous growth in terms of the monthly active users significantly surpassing other OSNs during the last few years (Richter, 2016). As of June 2016, Facebook subscribers were approximately 22.9% of total world population. Besides, among the other regions, Asia was the largest contributor to Facebook subscriptions (Internet World Stats, 2016). Similarly, Facebook is ranked among the most popular OSNs in Sri Lanka. There were nearly 6.1 million Internet users representing 29.1% of the total population in Sri Lanka as of June 2016 (Internet World Stats, 2016). Further, there were approximately 4.2 million Facebook subscribers in Sri Lanka representing 20.1% of the total population (Internet World Stats, 2016). As of June 2016, Sri Lanka Facebook penetration statistics were very close to the global average Facebook penetration of 22.9% (Internet World Stats, 2016). Moreover, globally, average time spent on Facebook per visit is approximately 18 minutes, and Facebook allows to operate their system by 70 different languages (Statistic Brain, 2016).

It is evident that the OSNs, specially including Facebook revolutionized the business landscape allowing the customer to be more informative and interactive compared to traditional way of undertaking business. Now, for

any business, despite being large or small, tend to perceive that the Facebook is an inevitable aspect of their marketing strategy. Facebook is chosen as the most important social network for marketers over the other OSNs, and the majority of the marketers are planning on increasing their use of Facebook for marketing activities (Stelzner, 2016).

Social Commerce

Social media technologies gave birth to the social commerce as a new phenomenon in the business world. Although the concept of social commerce has been increasingly received interest among the academia and practitioners, research on social commerce is still in early stages of development (Wang & Zhang, 2012). Similarly, they pointed that understanding of social commerce is scattered and limited. Therefore, social commerce has no specific definition as it has different meanings and different scholars came out with various definitions to explain the phenomenon.

Stephen and Toubia (2010) defined social commerce as “a form of Internet-based social media that allows people to actively participate in marketing and selling of products and services in online marketplaces and communities”. According to Liang and Turban (2011), social commerce uses Web 2.0 social technologies and infrastructure to facilitate interactions and user contributions in an online context to support consumers’ acquisition of products and services. Broadly, social commerce involves “the use of Internet-based media that allow people to participate in the marketing, selling, comparing, curating, buying and sharing of products and services in both online and offline market places, and in communities” (Zhou et al., 2013). Lin et al. (2017) defined social commerce as “any commercial activities facilitated by or conducted

through the broad social media and Web 2.0 tools in consumers' online shopping process or business interaction with their customers".

It is evident that these OSNs allow the consumer to be more informative and interactive (Song & Yoo, 2016; Wang & Yu, 2015) in contrast to traditional business. In fact, such OSN channels including Facebook placed the consumers in a more active role as market players and enabled them to reach (and be reached by) everyone, anywhere and anytime (Hennig-Thurau, et al., 2010). Now, any business tends to strongly admit that social media is an inevitable aspect of their marketing strategy despite their scale of business. Hence, it is recommended to build the business presence in social media platforms (Heinrichs et al., 2011; Osei & Abenyin, 2016). Busalim and Hussin (2016) highlighted that with a new paradigm of conducting commerce using social media, social commerce is to be a promising new area of research.

Social Commerce and Social Support

For an organization, it is important to have a business model adapted to social commerce, as the next generation of online business attracts new consumers predominantly supported by communities (Ridings & Gefen, 2004). Similarly, the user's experience in the online context is fairly different to the offline environment as a social influence has got broadened with the use of the social media in contrast to the past where social influence was limited to a small social circle. Theoretically, social support is how an individual's experience about being cared for, being responded to and being helped by people as a member of a social group (Ali, 2011; Cobb, 1976). Literature affirms that the presence of the social support both in offline and online contexts has a significant impact on the consumer behavior. Li (2011) asserted that user behavior is affected not only by their

own motivations but also by motivations of other users in the consumer's OSN. Therefore, theories related to social interaction and social support will be relevant in understanding consumer behavior in social commerce research (Liang & Turban, 2011).

Social Commerce is accepted as a subset of e-commerce that combines commercial and social activities (i.e. social interactions and user-generated content) via a Web 2.0 environment (Liang & Turban, 2011). Social technologies allow users to have social relationships with family, friends, peers, members of the other communities and e-vendors. In fact, OSNs allow users to access and observe decisions as well as opinions related to products and services of not only close friends, family, and colleagues, but also other people around the world (Pan et al., 2007; Wang & Yu, 2015). Hajli (2015) posited that members of such OSNs could communicate and share their consumption related experience by means of Social Commerce Constructs (SCCs) that include rating and reviewing recommendations and referral, and forums and communities. They are supporting each other both in an informational and emotional context (Hajli, 2013; Liang et al., 2011). SCCs have a significant impact on the emotional and informational support (Shanmugam et al., 2016). Social relationship is the key feature that differentiates social commerce from traditional commerce and other forms of online commercial activities. Consequently, social support is the key determinant of consumers' social commerce intention as well as the success of social commerce (Liang et al., 2011; Rad & Benyoucef, 2011; Wang & Yu, 2015; Zhang et al., 2014).

SCCs are Web 2.0 social features that empower consumers to generate content and share their experience (Hajli, 2015). Members of online communities engage in different group activities and support each other

through the social interactions and communications, which in turn are influential in shaping the consumer behavior (Bagozzi & Dholakia, 2002; Ridings & Gefen, 2004). SCCs namely; rating and reviews, recommendations and referrals, and forums and communities are the key enablers of social support in OSNs (Hajli, 2013). Further, Hajli et al. (2014) stressed that such SCCs are resulted by conceptualizing the eWOM (electronic word of mouth), which is also known as User Generated Content (UGC) in social commerce. SCCs in OSNs allow users to witness the perceptions and reactions of the community members towards products and services by means of UGC. Nature of SCCs may be either in the form of favourable or unfavourable for a product or service based on consumers experience and the level of satisfaction. Consequently, SCCs provide content that might attract and retain consumers or deviate and switch consumers of products or services. However, availability and the features of these SCCs are a platform (i.e. online social network platform) specific. Importantly, the social support facilitated in social commerce led to enhance the trust and minimize the perceived risk, eventually increasing the buying intention of the consumer (Hajli, 2015; Han & Windsor, 2011). In fact, trust is the most challenging concern of e-commerce for consumers, which can be addressed by social commerce. Consumers search for product, service and company information in OSNs since they find such sources contain UGC that are more reliable and relevant than information provided by the marketers (Bernoff & Li, 2008; Fotis et al., 2012) and traditional media (Goh et al., 2013). Further, SCCs provides seller's inducement to be trustworthy (Hajli, 2013). Moreover, people tend to consider and follow others' heuristic information (i.e. choices, opinions and etc.) to simplify the cognitive effort in decision making and overcoming the information overload (Bonabeau, 2004; Simpson et al.,

2008), which could be facilitated by OSNs to a greater extent. Consumers do not have an experience regarding physically observing (i.e. touching, smelling, etc.) product in online shopping. However, comments, reviews and ratings provided by other consumers are able to mitigate such limitations and thus influence the consumer behavior (Akar & Topçu, 2011; Do-Hyung et al., 2007). Apparently, consumers are more interested in other people's recommendations than the vendor generated information (Ridings & Gefen, 2004). Consequently, Senecal and Nantel (2004) asserted that consumers are strongly influenced by the online recommendations for their online product choices. Hence, consumers could rely on such online recommendations especially when they cannot experience the products or services in online context. In addition, consumers' purchasing intention increases along with the quality of the reviews and the number of the online reviews (Do-Hyung et al., 2007). In fact, third party reviews have a significant impact on consumer purchasing decisions (Yubo & Jinhong, 2005). Further, an increase in the total number of ratings on a product or service will have a positive influence towards the consumer purchasing decisions (Cheung et al., 2014). They also stressed that prior purchase information provided by other consumers on an OSN could provide a reference basis to subsequent purchasing decisions of the same consumer as well as later potential consumers' decisions.

Social Commerce and Consumer Decision Making

A key area of consumer behavior is to understand the consumer decision-making process, which has multiple stages, including the predominant act of buying products and services. Depending on the different factors and findings, numerous researchers and academics have developed and revised

consumer decision-making process models over the past years. There was a slightly different consensus about the stages involved in consumer decision making process model among the scholars (e.g., Engel, Kollat, & Blackwell, 1968; Foxall, 2005; Nicosia, 1966; Rice, 1993; Tyagi & Kumar, 2004). However, the five stages model that explains five prominent activities in consumer's decision making process: need recognition, information search, alternative evaluation, purchase decision, and post-purchase behavior is considered as the commonly accepted model of consumer decision-making process (e.g., Kotler & Armstrong, 2016; Kotler & Keller, 2016; Schiffman & Wisenblit, 2015). Conceptually, it is accepted that marketers need to focus on all the stages of consumer decision-making process rather than relying on the purchase decision stage only. Although each stage represents a decisive step in the decision-making process, all the consumers do not follow them in a sequential order (Kotler & Armstrong, 2016; Osei & Abenyin, 2016; Rad & Benyoucef, 2011). In fact, consumers pass through all five stages with every purchase, but in more routine purchases, consumers often skip or reverse some of these stages (Kotler & Armstrong, 2016).

Analyzing the consumer behavior has been an interesting research phenomenon both in the context of traditional and online marketplaces. Social Media can positively as well as negatively influence the rationality and effectiveness of consumer decision making (Power & Phillips-Wren, 2011; Rad & Benyoucef, 2011; Wang & Yu, 2015). Moreover, consumers tend to weigh negative eWOM more heavily than positive eWOM in their decision making (Park & Lee, 2009). Majority of social commerce studies examined consumer behavior by paying attention to information (especially eWOM) seeking behavior (e.g., Bilgihan et al., 2014; Bronner & Hoog, 2014; Chu & Choi, 2011), purchase attitude and purchase

intention (e.g., Hajli, 2015; Ng, 2013; Wang & Chang, 2013; Wang et al., 2012). However, Yadav et al. (2013) argued that social commerce domain should not be distinguished narrowly with only considering the purchasing function of consumer behavior, rather it should encompass exchange-related activities that occur before, during and after a focal transaction. Hence, Yadav et al. (2013) defined social commerce as “exchange related activities that occur in or are influenced by, an individual’s social network in computer-mediated social environments, where the activities correspond to the need recognition, pre-purchase, purchase and post-purchase stages of a focal exchange”. Similarly, Lin et al. (2017) briefed that social commerce involves a variety of commercial activities that could assist consumers’ in the pre-purchase evaluation, shopping decisions, and post-purchase behaviors. Further, Osei and Abenyin (2016) and Zhang and Benyoucef (2016) affirmed the validity of using consumer decision making process stages model to investigate the impact of social commerce on consumer decision making. Many scholars argued that providing a compelling consumer experience in which social interactions are fully inculcated in every stage of the consumer decision-making process is a prerequisite for successful social commerce (e.g., Huang & Benyoucef, 2013; Yadav et al., 2013; Zhou et al., 2013).

Contribution

The domain in which this theoretical foundation is constructed is novel as discussed at the outset. It was admitted that this could be the increasingly attracting research discipline with the evolution of social media and online social networks usage (Khang et al., 2012; Liang & Turban, 2011; Lin et al., 2017; Zhang & Benyoucef, 2016). This article adopted Yadav et al.’s (2013) definition of social commerce and concentrated the discussion on

OSNs to highlight the “social” dimension of social commerce, complying with the argument by Zhang and Benyoucef (2016). The need of having adequate theoretical foundation for social commerce and consumer decision making was noted as per scholarly suggestions. This paper intended to investigate the above-mentioned phenomenon as available literature mostly attempted to assess the impact of social commerce on individual stages or few stages at a time instead of comprehending the holistic consumer decision making process stages. Unique characteristics of social commerce allow organizations to strengthen the relationships with customers allowing business organizations to achieve desirable economic boosts such as increased sales and successful marketing (Amblee & Bui, 2011; Hajli & Sims, 2015; Michaelidou et al., 2011).

Accompanied by the valid rationale articulated at the outset of the paper, in future researchers intend to extend the research to examine the impact of social commerce on consumer decision making stages with empirical evidence gathered from Sri Lankan context. Ultimately, findings are expected to provide valuable theoretical as well as practical insights for academic researchers and practitioners.

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