A Fixed Pricing Group Buying Decision Model: Insights from the Social Perspective

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ABSTRACT

In order to explain the consumer decision process in the fixed pricing group buying (FPGB) context, this study proposed an FPGB decision model from the social perspective. To reflect the social perspective, the proposed FPGB decision model included social factors such as network externalities and subjective norm as triggers for shopping motivations. According to the analysis results, all social factors directly or indirectly affected consumers’ buying intention at FPGB websites. To be more specific, of the social factors, perceived complementarity was the most significant determinant of FPGB buying intention not just in the direct influential paths but in the indirect influential paths. Subjective norm did not directly affect FPGB buying intention, but it did indirectly. These results imply that the managers of FPGB websites should carefully consider social factors as triggers for shopping motivations when designing and operating FPGB websites.

Keywords: Fixed Pricing Group Buying, Network Externality, Shopping Motivation, Social Factor, Subjective Norm

1. INTRODUCTION

Group buying websites such as Mercata.com and Mobshop.com first appeared in the late 1990s. They adopted a dynamic pricing group buying (DPGB) business model, in which the product prices are not predetermined, but the product prices are varied by the number of buyers. After the advent of Groupon.com in 2008, most group buying websites adopted the deal-of-the-day business model, i.e., a fixed pricing group buying (FPGB) business model, in which the discount prices are posted irrelevant to the number of buyers (Liu and Sutanto, 2012). Compared to DPGB, most of which disappeared in the online marketplace, FPGB uses social media actively because the standard short title in FPGB, such as “$X for $Y Worth of Z,” is convenient for social media to propagate (Kwak et al., 2010). Liang and Turban (2011-12) defines an FPGB site as a place where people can collaborate online, get advice from trusted individuals, find goods and services, and then purchase them. It insists that FPGB has three major attributes: social media technologies, community interactions, and commercial activities. According to these attributes, it considers that FPGB consumers

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conduct commercial activities with social media in order to socialize with their online social networks (family and friends).

Understanding consumer decision involves understanding the social meanings (Wood and Hayes, 2012). Therefore, an FPGB decision model needs to embody the social perspective. The considerations of social factors as triggers for shopping motivations stem from work by Tauber (1972). After Tauber (1972), a lot of research suggests that social factors are important triggers for shopping motivations within a conventional retail context as opposed to the online context (Rohm and Swaminathan, 2004).

Of late, Dennis et al. (2009) insists that social factors also play an important role as triggers for shopping motivations within an online context, but e-retailers have difficulty in satisfying social needs. To support social shopping of consumers, FPGB websites provide social networking services (SNS) as social media for their consumers. FPGB websites considerably solve the difficulty of satisfying social needs by SNS. Therefore, a social feature of FPGB plays a deterministic role to differentiate FPGB from other forms of online commercial activities (Liang et al., 2011-12).

It is well known that consumers use a particular website more frequently when more online consumers or more members of their social group use it (Wang and Chen, 2012). Such consumer behavior is due to herd mentality, rooted in sociology. Herd mentality describes how people are influenced by their peers or others to adopt certain behaviors (Jin et al., 2013). Most FPGB websites provide consumers with social media, such as SNS, which helps consumers get or propagate discount information and buying experiences from FPGB (Zhou et al., 2013). As more consumers propagate discount information or buying experiences from FPGB to their social networks by social media, network externality is more easily achieved due to a social factor of herd mentality. Consequently, it is expected that network externality affects consumers’ buying behaviors. In the online shopping context, it is demonstrated that network externality as an exemplary social factor directly or indirectly affects an individual’s behavior of using information technology through motivations (Lin and Lu, 2011). Therefore, to build a FPGB decision model from the social perspective, network externality as a social factor is included in it.

Although innovation adoption from the social perspective has been sparsely studied (Song and Kim, 2006; Talukder and Quazi 2011), such social group behavior has been widely studied under the social influence theory. The term ‘social influence’ is described as a subjective norm in the theory of reasoned action (TRA) (Ajzen and Fishbein, 1980). According to TRA, subjective norm is a critical social influential factor of behavioral intention to use a specific technology, even though it is deleted from the technology acceptance model (TAM) (Davis, 1989). Especially, when the target behavior is more social or networked than purely individual, the effect of subjective norms may be shown clearly (Song and Kim, 2006). FPGB is a shopping mode based on informal social relationships. Therefore, the proposed FPGB decision model includes subjective norm as another social factor.

To sum up, to reflect the social feature of FPGB, this study adopts network externalities and subjective norm as social factors for the FPGB decision model. To the best of our knowledge, this study is the first research on consumers’ FPGB decision processes and investigates their FPGB decision process from the social perspective. To investigate the FPGB decision model, this study consists of five sections. Following the introduction section, the current research of FPGB is overviewed in Section 2. In Section 3, the hypotheses are stated. The analysis is performed in Section 4. Finally, the research results are summarized in Section 5.

2. OVERVIEW OF CURRENT RESEARCH

The FPGB business model was introduced after the advent of Groupon.com in 2008.
Customers' Perceived Risk and Trust in Using Mobile Money Services—an Empirical Study of Ghana
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