Enhancing the Decision Quality through Learning from the Social Commerce Components

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ABSTRACT

The adoption of social networks introduced a new set of components to the e-commerce environment, which are called social commerce components (SCCs) (e.g., forums and communities, rating and reviews and social recommendations). Although various SCCs have transformed customer behaviors and decision patterns, few studies have investigated their roles together in enhancing customers’ decision quality. In this study, based on the social learning theory, the authors develop a research model to explore how customers learn from the SCCs to influence their uncertainty in shopping experience, and thus improve their decision quality. The results from 243 actual customers of social commerce site in China suggest that demand uncertainty is one of the most important factors that reduces decision quality, whereas product quality uncertainty has a significant positive influence on decision quality, and seller quality uncertainty has no influence on decision quality. Also, learning from forums and communities, learning from rating and reviews and learning from social recommendations play different roles on forming customers’ uncertainty. In addition, product type can moderate most of the above associations. In summary, these findings increase one’s understanding of the customers’ decision pattern in social commerce context and extend the scope of social learning theory and uncertainty theory. The findings also provide insights for social commerce practitioners in developing strategies for improved implementation of social commerce as well as the design of social commerce sites.

KEYWORDS

Demand Uncertainty, Forums and Communities, Ratings and Reviews, Social Commerce, Social Learning, Social Recommendations

1. INTRODUCTION

The rise in Social Commerce has enhanced consumer behavior. Word-of-mouth has become stronger, and customers increasingly rely on contents posted by others for making decisions. The importance of social commerce is reflected in that 73% customer read user-generated content before making a decision about purchasing food (Bazaarvoice, 2011) and 40% customers purchase or lease a car after browsing at least one piece of user-generated content (Bazaarvoice, 2011). The buying decision process has also been enhanced, that 37% of shoppers find online social sources to be an influential driver in making decisions. This figure has been nearly doubled in a year (19% in 2010). Within social commerce environment, customers have access to social knowledge and experiences that support them to better understand their online purchase purpose and make more informed and accurate purchase...
decisions (Huang & Benyoucef, 2012). Thus, search results, user reviews, four-star ratings, text ads, image ads, news headlines, social shopping, rating and reviews, social recommendations, forums and communities, social media, and social advertising (Lecinski, 2012), which are called social commerce components (SCCs) (Mahmood Hajli, 2012), are an influential source of learning about products and services for making decisions.

Previous studies have examined the role of individual components on customer’s decision. For instance, Park, Lee, and Han (2007) examined the effect of online consumer reviews on consumer purchase intention; Li, Wu, and Lai (2013) proposed a social recommender system that can generate personalized product recommendations to aid customers’ decision; Animesh, Pinsonneault, Yang, and Oh (2011) found the influence of technological and spatial environments of virtual community on customers’ purchase behavior. Nevertheless, the roles of these SCCs in enhancing customers’ decision quality is not completely clear. The existing literature usually focus on one single social commerce component, which limits our understanding of the different roles of SCCs in aiding customers’ decision.

In this study, we consider the collective roles of various components of social commerce on consumers’ decision quality. Based on social learning theory (Bandura, 1978), we develop a research model to examine the role of SCCs in consumer’s dealing with uncertainty in purchases. Uncertainty has been widely touted as the primary barrier to online transactions (P. A. Pavlou, Liang, & Xue, 2007). Specifically, in the social commerce context, demand uncertainty is defined as the level of confidence the buyer has in correctly estimating his demand (Grover & Saeed, 2007). Product quality uncertainty is defined as a customer’s perceived estimate of the variance in product quality based on subjective probabilities about the product’s characteristics and its expected performance (P. Pavlou & Dimoka, 2008). Seller quality uncertainty is defined as a customer’s perceived estimate of the variance in seller quality based on subjective probabilities about the seller’s characteristics and chances of its acting opportunistically (P. Pavlou & Dimoka, 2008). According to the theory of asymmetric information (Akerlof, 1970), uncertainty refers to the degree to which the future states of the environment cannot be accurately anticipated or predicted due to imperfect information (Pavlou et al., 2007). Customers cannot fully evaluate a seller’s quality due to ex-ante misrepresentation of the seller’s characteristics and fears of ex-post seller opportunism, leading to uncertainty about the seller quality (Pavlou & Dimoka, 2008; Pavlou et al., 2007). Moreover, online customers are dependent on the limited capability of Internet interface to describe products, which lead to customer’s product quality uncertainty (Pavlou & Dimoka, 2008). Specifically, in social commerce, customers initially do not have an exact idea about what to buy or they just have fun with the social media, which lead to customer’s demand uncertainty (Marsden, 2010). However, the SCCs provide plentiful information about what to buy, product quality and seller reputation. Thus, learning from the SCCs can reduce customers’ uncertainty and aid customers in making rational decisions and thus enhancing their decision quality.

Findings of this study increase our understanding of the customers’ decision pattern in social commerce context and extend the scope of social learning theory and uncertainty theory. The results indicate that all the SCCs can enhance customers’ decision quality indirectly, nevertheless they play different roles. In addition, we test the moderating roles of product type in this research model. The results show that, demand uncertainty has more influence on decision quality for search goods. The role of forums and communities in reducing demand uncertainty, and the role of rating and reviews in enhancing product quality uncertainty are more important for search goods, while the role of social recommendations in enhancing seller quality uncertainty is more important for experience goods. These findings provide directions for social commerce practitioners in developing strategies for the implementation of social commerce and the design of their social commerce sites.
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