Social Networks and the Buying Behavior of the Consumer

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Abstract

The use of social networks is a valuable tool to support enterprises to increase the chances of survival through the activation of a favorable word of mouth among the internal and external members of the virtual community. The diffusion of network innovations, at the environmental level, which includes institutional and regulatory entities, is highly complex and has been relatively neglected in the literature. Therefore, this paper aims, through a general overview of the literature on the subject, to understand how the spread of social networks impact on the economy of enterprise.

Keywords: Innovative idea; Diffusion; Stakeholder communities; Consumer behavior

Introduction

An innovation constitutes a new or innovative idea which is applied to initiating or enhancing a product, service or process [1]. Diffusion is the process by which an innovation is communicated through specific channels over time among members of a social system that are linked via networks [2]. Thus, innovation diffusion involves the capacity to spread the production and the use of an innovation in practice through the social network structure of a group of stakeholders [3-5]. Innovation diffusion is a central issue in high technology sectors of the economy, such as information technology and telecommunications, which continue to experience rapid technological changes and continuous innovation [6]. With network innovations, institutional networks have to be established to ensure that innovations are diffused successfully in the community of the adopters. Successful diffusion may require specific institutional actors, such as opinion leaders and change agents, to initiate and carry out interdisciplinary undertakings involving different stakeholder communities. Structural network theorists argue that there are two aspects that determine the behaviour and the propensity of a stakeholder towards adopting technological innovations: network density and centrality [7,8]. Network density characterizes the network as a whole. It measures its interconnectedness in terms of “the relative number of ties in the network that link actors together” [7]. The rationale of technologies is to provide social benefits which can be derived from positive network externalities associated with mass adoption [9-11]. Such technologies constitute “network innovations” that diffuse through social networks linking individuals and/or organizations [12]. The diffusion of network innovations, at the environmental level, which includes institutional and regulatory entities, is highly complex and has been relatively neglected in the literature [9,13-15]. Therefore, this paper aims, through a general overview of the literature on the subject, to understand how the spread of social networks impact on the economy of enterprise. In other words, the research question, which, the paper tries to answer, is:

RQ1: Whether and how the use by firms of social networks can influence the purchasing behavior of consumers?

In first phase, are studied the main factors according to academic literature can influence the purchasing behavior of consumers, after, we proceed to a general overview of how, with whom, social networks have found spread, trying to figure out if and how they can influence the management of firms and organizations and on the role of social networks in management in order to verify the use of the same within firms and organizations; in the next step, the focus is moved on the part of the demand output and, in particular, on the purchasing behavior of the consumer. In other words, trying to study if and how the use of social networks can influence the purchasing decisions of consumers. In the fourth section, describes the methodology that is based on the literature review on the topics covered by this work and finally it presents the discussions and conclusions of the paper.

The Purchasing Behaviour of Consumer

The consumers’ buying behavior has always been a popular marketing topic, extensively studied and debated over the last decades while no contemporary marketing textbook is complete without a chapter dedicated to this subject. The predominant approach, explaining the fundamentals of consumer behavior, describes the consumer buying process as learning, information-processing and decision-making activity divided in several consequent steps:

1. Problem identification.
2. Information search.
3. Alternatives evaluation.
4. Purchasing decision.
5. Post-purchase behavior [16-21].

According to much of the academic literature demographic, social, economic, cultural, psychological and other personal factors, largely beyond the control and influence of marketing, have a major impact on consumer behavior and purchasing decisions [17-19,22-25]. Therefore, purchasing decisions are influenced by a complex combination of internal and external influences. Among these Kotler and Armstrong identify group membership and social networks [26].

In recent years, online social networking has emerged as a strong component of social interaction. Social networking sites ranging from blogs, networking websites such as YouTube to entire virtual worlds

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like Facebook as media [26]. The new social networking technologies offer a genuine communication channel that is much more credible than any advertising company [27].

Furthermore, the use of social networks increases the word of mouth effect, for this reason often marketers try to identify or even creating their own opinion leaders for their products addressing them marketing activities. This is because people want to talk about what makes them happy, including their products and their favorite brands. Companies like Sony, Microsoft, McDonald’s and P & G create their own leader of opinions to facilitate the interactions between consumers [28,29].

Pellinen et al. indicate that financial skills and competence are based on financial knowledge and understanding, and are influenced by the personal attitudes in spending and saving [30]. For example, there are consumers who are reluctant to make most of their purchases with credit cards because of the fear that they may not be able to make full payment when their credit bills are due [31]. Whatever the perception is, it forms the basis of behavioral intention of financing expenses with credit cards considers four demographic factors such as age, income level, occupation, and marital status which are posited to influence credit card holders’ spending behavior [32,33]. A number of interesting findings have been documented concerning age of credit card holders. Devlin et al. found that the older the respondents, the more likely they are to possess one or more credit cards [34]. However, college students and young credit card holders, albeit possessing fewer credit cards, have been increasingly identified as contributors to credit card debts compared to the more senior card holders. In the same way, several studies have looked at the impact of income level on credit card’s possession and use [35,36]. The findings are, however, not without varying conclusions. Devlin et al. found that households with higher incomes tend to hold more credit cards [34]. Nevertheless, due to their high income, they are more likely to pay off their credit card debts [37]. Scollm and Matthews argue that those from the lowest category of income always think wisely before making any kind of money-related decisions [38]. Other studies also show that employment plays an important role on the purchasing decisions of consumers. In fact, Joo and Pauwels assert that occupation could influence a person’s consumption behavior [39]. They found in their study that managers and those in the self-employed category are most likely to be heavy users of credit cards. On the other hand, students are often being categorized as an occupation, and that it has been recognized that many students are living on the verge of financial crisis [40,41]. It is for this reason that usage of credit cards by college students has received increased visibility throughout the media. A study has also demonstrated that marital status and length of marriage affect spending behavior [42,43]. Devlin et al. discovered that married respondents who participated in their research had more departmental store credit cards than those who are still single or separated/ divorced [34]. This is not difficult to understand as married consumers are likely to have higher expenditures than non-married consumers. Other studies show that other factors, as well as demographic changes, could affect the purchasing decisions of consumers. Among others, an important role is played by Bank policies and attitude toward money. Many issuing banks and non-banks offer benefits in the form of different incentives in order to entice consumers in general to apply for credit cards [31]. These incentives include no annual fees (which have been packaged as an annual fees waiver), cash rebate, point rewards, airline miles, installment payment plan, and/or discounts for identified purchases. Several researchers have argued that green consumer behavior is determined by a multitude of factors depending on type of behavior and involvement with the product and behavior [44-46]. Stern presents four categories of determinants of green consumer behaviors: contextual forces, attitudinal factors, habits or routines and personal capabilities. Contextual forces have been conceptualized as affecting behavior indirectly through attitudinal factors, putting the latter ones in the center for understanding green consumer behavior from both psychological and marketing perspectives [44,47,48]. Consumption attitudes are context-specific dispositions that connect personal stable values to actual consumption-level attitudes and behaviors [45,49]. Using this notion, the value-belief-norm theory has been developed and found valid in a wide variety of green consumer (curtailment) behavior contexts, such as household energy use, conservation behavior and car use reduction[47,50-53]. VBN theory postulates that the factors that influence the relationship between values and actual behavior are: fundamental values; Beliefs; is personal moral norms that guide the actions of an individual. Personal norms, experienced as feelings of moral obligation to act, are postulated to create a willingness to act pro-environmentally. Personal norms are in this aspect assumed to be formed by incorporating social norms into a consistent personal value system. The analysis of the literature has identified a number of factors that, in some way, affect the act of consumers on the market. In the following, the attention is focused on a particular factor is the use of social networks.

Social Network and Management

Knowledge is one of the most decisive factors capable of offering competitive advantages for supply chain partners [54-56]. However, economic systems based on small and medium-sized enterprises (SME) are an important barrier for transitions from traditional economies to knowledge-based ones. Malhotra et al. maintain that SC partners engage in interlinked processes that enable rich information sharing and building information technology infrastructures to process the information obtained from partners, a scenario that creates new knowledge [57]. There are different ways of understanding and classifying knowledge, and most focus on knowledge types: tacit, explicit, individual, organizational, etc. Nonetheless, there are many other factors to consider, among which the interdependence between knowledge and the organizational context stands out [58]. The literature on innovation has been extremely broad incorporating perspectives as diverse as traditional structuralist approaches through to more process-oriented approaches. From the structuralist perspective, innovation is seen as a “thing” or entity with fixed parameters (e.g., a new technology or management practice) which is developed externally, packaged (“black boxed”) by suppliers and then transferred to potential users where it can be seen to offer them competitive advantage [59]. Structuralist perspectives have been criticised for under-emphasizing the dependency of innovation on the social and organizational context [60]. In contrast, process perspectives argue that innovation should be seen, not simply as a “thing” to be transferred from place to place, but as a complex, time phased, politically charged design and decision process often involving multiple social groups within organizations. According to this approach innovation may be defined as: the development and implementation of new ideas by people who over time engage in transactions with others in an institutional context [61]. Networking as a social communication process, which encourages the sharing of knowledge among communities, is centre-stage in process perspectives and this is reflected in this definition. Therefore, the need and the possibility for the management company to have new knowledge, creates the conditions for the creation of a lasting competitive advantage. The company management can effectively
manage the resources at its disposal only if it has adequate baggage information and if there is a regular flow of information between the different sectors. One of the first things to be said about KM and innovation is that definitions abound. One of the definitions is to that which considers very broadly, encompassing any processes and practices concerned with the creation, acquisition, capture, sharing and use of knowledge, skills and expertise whether these are explicitly labeled as “KM” or not. There are also clearly organizational trends which are aligned to this focus on KM in innovation [62]. In organizational terms, the new “era” is typified by flatter structures, de-bureaucratization, decentralization, and coordination through increasing use of information and communication technologies (ICT). There have been several theoretical studies and research efforts to explain how socialities can affect actors’ behaviors, decisions and strategies but, some of vetter in his them can be seen as milestones for the development of the field [63]. Grano impressive article claims that economic action is socially constructed and it is determined by the ongoing relationships between economic actors. Social embeddedness approach emerged as a critique to “rational actor” assumption of classical and neoclassical economic models. According to many researchers, social capital of individuals helps them to find better jobs and affects occupational success. Organizations and individuals that have numerous network ties can anytime use these connections to transfer knowledge, to reach resources and to influence others in their environment [64]. Measurement of social capital of organizations and individuals is a central issue in social network research. The high frequency of interactions between two actors can create acquaintance relationship according to some authors. Tsai and Ghoshal state that the increasing interactions between the actors in the course of time lead to perceptions of mutual trust, and parties start identifying each other’s personal characteristics [65]. Tymon and Stumpf similarly defend social capital of the actors is being developed by the transformation of arms-length ties into social relations in a period [66]. The individuals who occupy central organizational positions usually have high frequency of interactions, which may be sufficient to strengthen arms-length ties. Hence, the increasing number of reports that are woven into business realities enhances confidence of the different actors involved in the process of value creation and, in this way, a virtuous process that engages guarantees on the one hand the spread aware of new technologies and the other allows you to create a climate of social cohesion to develop suitable processes of co-creation of value for all stakeholders. In fact, the leveraging of inter-firm networks is increasingly considered to be a strategic resource that can potentially be shaped by managerial action [67-71]. Inter-firm networks in this context are defined as consisting of the interactions and relationships organizations utilize to access knowledge. These may be in the form of alliances concerning formalized collaboration and joint ventures that allow access to the knowledge held by other actors as a means of facilitating innovation. Some studies introduce the concept of “network resources” to understand the advantages bestowed by such networks in allowing firms to leverage valuable information and/or resources possessed by their inter-firm network partners. Like social capital, Gulati defines network resources as an umbrella concept to describe and understand the resources or capital generated by inter-firm networks [72]. The academic literature highlights the importance of the spread of social networks and how they can help to improve relations within companies and organizations. On this track it becomes interesting to study whether and how the use of social networks can influence the purchasing behavior of consumers. The social media has aroused a lot of interest among researchers and academicians. Infact many academic research paper have investigated the role of social media in the business world. As use of social media is increasing at phenomenal rate and companies showing tenencies of allocating increasing budget to social media to communicate and reach customers. Even if organizations are increasing their money to spend in social media it is difficult to measure a real return on investment, for this reason different studies have been made to measure this effect.

How the Use of Social Networks Influence the Buying Behavior

There is a strong consensus among scholars and practitioners that developments in information technology (IT) will affect several aspects of marketing in significant ways [73-75]. In particular, the role of information technology in influencing buying behavior has been well recognized [76,77]. A central concern in marketing, organizational buying behavior has been an important domain of scholarly investigation for a long time [78-82]. The use of new information and communications technology allows a better flow of information and thus a greater connection between the different actors. Connecting people in various forums on multifarious subjects like politics, music etc., image building, aggregating information from various sources and thus reducing information uncertainty there are some other objectives that have culminated in the formation of “communities and societies” [83-85]. Social networking web sites act as a platform for coming together of people with similar interests, beliefs, and ideas. Users of social networking web sites connect to each other with the purpose of finding and exchanging content. Some of the other ways in which social networking can be used are for self-disclosure and self-representation and thus create and manage a social or even a professional identity [86]. Social media, especially social network sites, might be an important agent of consumer socialization because provide a virtual space for people to communicate through the use of Internet [87-91]. Social media provide three conditions that encourage consumer socialization among peers online. First of all, blogs and social networking sites all provide communication tools that make the socialization process easy and convenient [90]. For example, in virtual communities Ahuja and Galvin find that new members can be socialized easily into virtual groups and quickly learn task-related knowledge and skills through their interactions with other members [92]. Second, increasing numbers of consumers visit social media websites to find information to help them make various buying decisions [89]. In the end, social media provide vast product information and evaluations quickly acting as a socialization agent between friend and peer because facilitate education and information [93,94]. In line with this opinion Taylor, Lewin, and Strutton find that online consumers’ attitudes toward social network advertising depend on socialization factors (i.e., peers) [94]. According Wang, Yu and Wei online consumer socialization through peer communication also effects purchasing decision in two way: directly (conformity with peers) and indirectly by reinforcing product involvement [95]. Lueg and Finney further suggest retailers should encourage such communication by setting up tell-a-friend functions on websites because they find that peer communications online can influence consumers so strongly that they convert others into Internet shoppers. So one of the factors that could, in some way, contribute to a change in the way consumers purchase is the use of social networks [88]. Actually, the rapid growth of social media has revolutionised the ways of communication and sharing information and interests redefining the priorities of businesses and marketers and creating a new place of interaction and communication among people [96]. A key business component of social media is that allows consumers to evaluate product, make recommendations to contacts, and link current
purchases to future purchases through status updates and twitter feeds. In addition, the use of social media presents a valuable tool for firms in which a satisfied user of a product could recommend that product (good or service) to other potential users. Forbes and Vespoli investigates consumer who made a purchase of an item based on the recommendation of a peer or contact via social media results indicate that consumers are buying either very inexpensive or not, and are doing so based on recommendations from people they would not considered “opinion influencers or [leaders]” [97]. Sharma and Rehman find that positive or negative information about a product on the social media has significant overall influence on consumer purchase behavior [98]. So this means that companies could influence the opinions favoring the effect Word of Mouth among consumers by encouraging consumers to recommend their products through social. Online Word-Of-Mouth communication allows consumers to share and obtain information from variety of groups of people, not only from people they know and it has a more impact than traditional tools marketing [99-101]. Infact before making any purchasing decision, especially when it comes to buy something new, many consumers check other consumers’ recommendations too [102]. Consumers researching on the online community had a sufficient amount of inquiries to make their decision. According to Li, Bernoff, Pflaum, & Glass the 50 percent of adult users of online social networks to share and tell the products that they like while Yogesh and Yesha sustain that social media is most widely used in information source for perceived convenience, effectiveness and perceived credibility and the social media reviews and opinion affect the purchase decision process [103,104]. One of the main advantages of online social networking is the ability to create and manage a diffuse network of weak ties [105-107]. Information exchange on social networking web sites is between a larger and a broader group of actors and encourages amassing of as many contacts as possible without deepening connections between the actors in order to gain business advantages. These benefits are transferred also on consumer behavior; in fact, Network effect is the extra utility that a consumer derives from the consumption of a good or the service when there is an increase in the network size of that good or service. The literature has identified two types of network effects [108]. It is more useful when more users join. Growth in the size of the network increases the value of the network to all users. Facebook is a leading social network more popular, and thus a greater connection between the different actors. Connecting people in various forums on multifarious subjects like politics, music etc., image building, aggregating information from various sources and thus reducing information uncertainty are some other objectives that have culminated in the formation of “communities and societies” [83-85].

The use of social networks is a valuable tool to support enterprises to increase the chances of survival through the activation of a favorable word of mouth among the internal and external members of the virtual community. That finding is confirmed by the arguments of many researchers, but still needs a further study to examine the reasons that are the basis of this influence. Therefore the authors propose, through the analysis of the literature with this work to put the attenzione the need to also check on a practical level the findings highlighted dalla literature.

Discussions and Conclusions

Analysis of the literature has shown that social networks can bring about a certain degree of influence on the choices of consumers changing their buying behavior. In fact, the use of new information and communications technology allows a better flow of information and thus a greater connection between the different actors. Connecting people in various forums on multifarious subjects like politics, music etc., image building, aggregating information from various sources and thus reducing information uncertainty are some other objectives that have culminated in the formation of “communities and societies” [83-85].

References


Methodology

This study presents the results of the review of 111 academic papers selected from a large pool Direct network effects have been defined as those generated through a direct physical effect of the number of purchasers on the value of a product (e.g., fax machines). Indirect network effects are seen in the market for systems, where the consumer’s utility function does not directly depend on the adoption decision of other consumer’s. Social networks exhibit positive network externalities, with sites like MySpace and Facebook being of articles on consumer behavior [111]. The criterion for the paper selection was the focus on studying the effects of controllable factors that influence the consumer behavior. The papers selected for the review were published after 1955. Out of the 111 papers, 64 were published between the years 2000 and 2014 and 47 between 1955 and 1999. The majority of papers were drawn from the Journal of Electronic Commerce Research, the Journal of Consumer Marketing, the Journal of Information Management and the Journal of Internet Research. The elements identified in the literature as influencing the online buying behavior were grouped into three main categories and five sub-categories, each one including several of these elements. The selection of papers, review and allocation of the Web experience elements to one of the above categories and sub-categories was done by the author, in order to ensure the conformity of the selection criteria; a minimum of one literature reference was necessary for including a given component in the classification.


