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The Impact of Social Media on E-Commerce Decision Making Process

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Abstract

The affirmation of social media platforms has radically changed customers purchasing habits and the way businesses develop their e-commerce sites. Indeed, e-vendors no longer invest money exclusively on advertisements on their e-commerce platforms; rather there is a fierce online competition among companies promoting their goods and services on social media channels. On the other hand, customers use social media to generate content and to network with other users so as they can gather and share as much information as possible about prices, product quality, customer service and e-sellers reputation. In addition, it is believed that social media facilitates social interaction among customers, leading to increased trust and intention to buy. In this article, we will point out how social media influences the e-commerce decision making by firstly reasoning on theoretical concepts about online customers behaviours along with the factors affecting their purchasing choices, and then by illustrating useful statistics which indicates how social media marketing has exponentially grown over the last decade.

Keywords: Decision Making Process, Social Influence, Social Media Marketing, Trust

1. Introduction

The development of social networking sites (Facebook, Twitter, Instagram) in recent years, has radically changed both customers online purchasing habits and the way businesses promote their products and services. The wide range of applications the Internet provide users, has been allowing them to communicate virtually by exchanging opinions and purchasing experiences online, without necessarily interacting face to face. All that is possible thanks to Web 2.0 functionalities (Wikis, Cloud computing, User-generated content, Social networks), which have been able to create social environments where people can produce online contents, benefit from an easier interconnectivity and participate actively on the web. In this sense, all these functionalities, supported by

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the Internet connection, play a critical role in implementing effectively online interactions by providing the basic infrastructure, without which it would not be possible to perform any sort of online communication.

For these reasons, nowadays social media represents an opportunity for firms to boost popularity of their e-commerce sites, increase brand awareness among online customers, increase sales, facilitate word-of-mouth communication and ensure social support to online customers. Moreover, social media has introduced the development of new marketing strategies focused on building trust and affect customers intention to buy within the most reliable social platforms. In fact, it has been proven that customer loyalty in a social network is an influencing factor in posting information which is relevant to advertisers.

This paper has been articulated into two parts. In part one, we are going to synthesize theoretical knowledge about this modern phenomenon. Therefore, this article will explain how influence and trust in social media are positively affecting online customers intention to buy. Subsequently, reasons why social media managing skills could be a factor behind competitive advantage for businesses will be elaborated. In the second part, the paper analyses relevant statistics underlining the exponential growth and the ongoing investments in social media platforms.

2. Materials and Methods

The paper is based on secondary data analysis and is exploratory in nature. Exploratory research was deemed suitable due to the evolving nature of the problem. Typically, exploratory research consists the following methods- 1) Secondary research; and 2) Qualitative data collection. This research analysed secondary data such as research papers, industry data and relevant statistics.

3. Theoretical Background

Nowadays, Social Media Marketing is undoubtedly one of the most prominent means to build and maintain long-lasting relationships between companies adopting e-commerce infrastructure and users accustomed to share opinions, suggestions and purchase experiences by connecting to social networks. Before illustrating some statistics and data confirming the key role of social media in improving the effectiveness of an e-commerce platform, it is worth pointing out some theoretical concepts which allow us to understand the reasons why growing number of companies have been increasingly investing money and time on Web Marketing tool, along with the opportunities and challenges involved in it.

3.1 The effects of social influence and trust on the purchase decision process

Kaplan and Haenlein (2010) have defined social media as “a group of Internet based applications that, build on the ideological and technological foundations of Web 2.0, allows the creation and exchange of user-generated content”. At present, Web 2.0 social media sites have been having a crucial impact on the digital economy, as people worldwide tend to spend more than 110 billion minutes daily on these online platforms (Nielsen 2014), which include wikis, virtual communities, video and audio sharing, pictures and other applications. As a result, the popularity of social networking sites has enhanced over the last decade, as demonstrated both by the number of Social Network active users (Figure 1) and the increasing investments in Social Network Advertisements spending (Figure 2). The information is based on assessment of data available in databases (Statista, 2015)

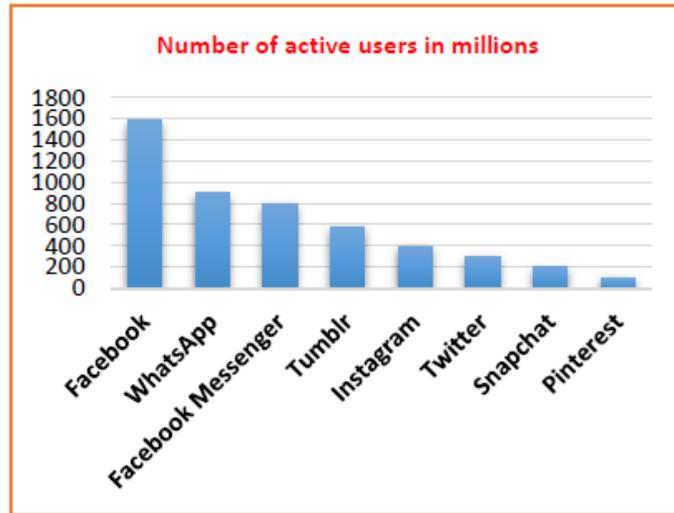


Figure 1. Social media users

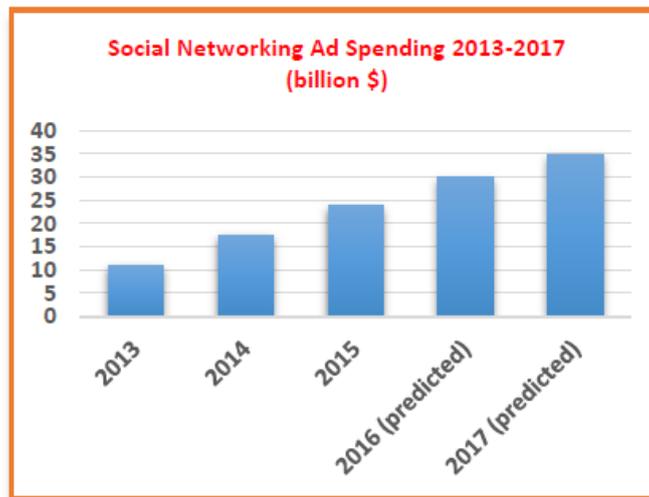


Figure 2. Social media advertisement spending in billions

Facebook, for instance, is considered the most profitable and popular social network worldwide; for this reason, most of social media investments are concentrated on this platform. The secret of its success is the result of its compelling business model which combine “a deep integration into Facebook, mass integration through the social graph and new business opportunities for developers” (Google, 2010); thus becoming a social utility that connects people with those living around them.

Therefore, a social network is a set of interactions involving a group of people which stores information, opinions and ideas to influence other users. In the context of E-commerce, this innovative form of communication is ensured through numerous tools such as forums or other User-Generated Contents provided by several social channels, through which customers can exchange opinions and compare their purchasing experiences with others, so as to decide whether to buy from a specific e-commerce website. This process is called Social Influence and affects all stages of the decision-making process. Its modern structure, from our point of view, is represented in Figure 3 along with each phase’s description.

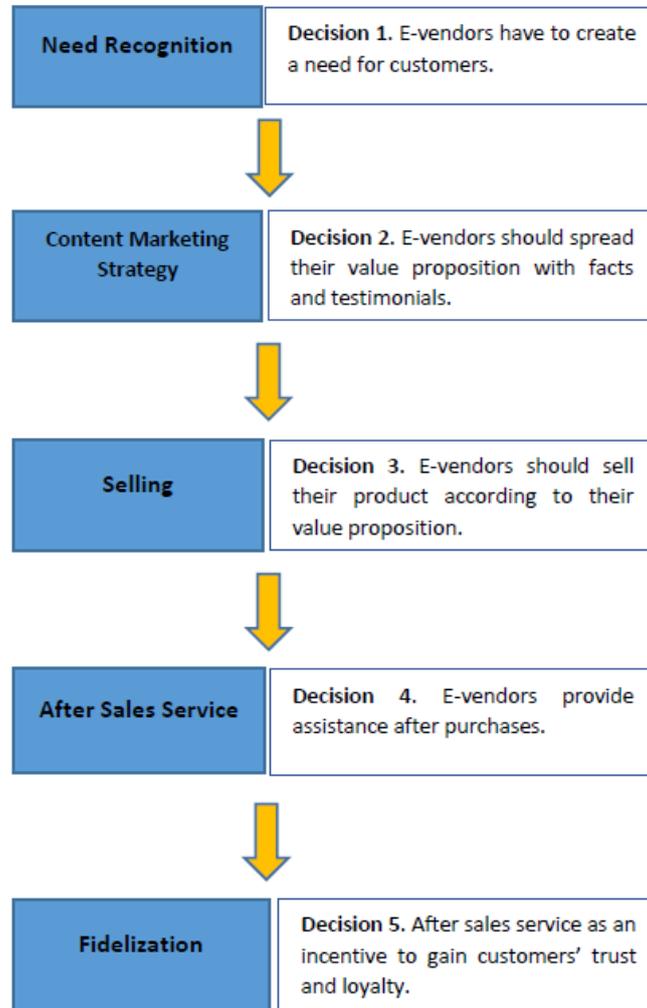


Figure 3. E-vendor's proactive approach in E-commerce

Nowadays, the purchasing decisions are driven by e-vendors. In other words, marketers should be able to create a need for customers (proactive approach) and then implement a content marketing strategy by spreading their value proposition among online users with facts and testimonials. In addition, the most important stage which is crucial to enhance reputation, trust and fidelization among online customers is the Online After-sale service, which allows e-vendors to communicate directly with those customers purchasing specific products and needing assistance (Kim and Srivastava, 2007). This stage greatly influences the decision-making process, as customers can personally test the attention paid by the e-vendors on their needs and problems.

Currently, a significant number of social media platforms have been facilitating both the exchange and the generation of contents within an online context. Consequently, customers are being encouraged to rate and review products and services online; in this case these virtual purchasing experiences are shared digitally (Lai, 2010). Hence, over the years, social media platforms have become the ideal place to gain knowledge about brands. For this reason, most social commerce sites are considered "phenomenal networks of democratic participation where people create what individuals want and need" (Chambers, 2005). In such situation, online interactions supported by social media channels, contribute to increase the level of trust and reduce risks.

In Figure 4, it can be seen how social influences highly affect the shopping behavior, as 45% of users over the age of 18 read other people's reviews, comments and feedback before buying online; while only 16% of them buys products autonomously and directly via a social media channel. Moreover, it is evident that a substantial proportion of people, namely 42.3%, purchase due to promotions in social media platforms (Facebook, Google, Pinterest, Twitter and Instagram) (Brand Dignity, 2014; Braffton, 2016), thus confirming the upward trend that this modern Internet marketing method has been experiencing these days.



Figure 4. Social media activities that influence shopping behavior

Another important factor directly linked to social influence is trust, which is widely considered as the most valuable factor contributing to online exchanges. It is absolutely required in a business to consumer relationship while assessing risks in the transaction with an e-vendor, which may be reduced thanks to the interchange of reviews and recommendations about specific brands diffused via social media. Consequently, positive customer experiences are more likely to turn into favorable ratings and to a higher level of trust of the e-sellers. In other words, the quantity and quality of user reviews posted on popular social networks, may give life to a beneficial word-of-mouth process able both to influence customer purchasing choices and increase awareness of the e-commerce sites reliability. For this reason, trust can be defined as a predictor of customer's online purchasing intentions (Nadaraja and Yazdanifard, 2013).

Social media platforms entail benefits in terms of efficiency and targeting. Regarding the first point, the cost of implementing a social media marketing campaign is usually more affordable than traditional methods, as for example face-to-face interaction with salespeople. In fact, companies can manage successful social media marketing campaigns by investing a limited budget, as most social media tools for business purposes are free of charge compared to the more expensive traditional practices. Moreover, it is possible to enhance market share by reaching those customers who may not be accessible before because of temporal and locational constraints.

In addition, social media promote brand awareness and help overcome customer's reluctance to purchase. In other words, all those brands being able to gain customer trust may benefit from viral marketing (or word-of-mouth marketing) by boosting their base of fans and followers willing to buy their products and be continuously informed about their initiatives. For this reason, businesses consider customer service as another crucial area for social media marketing; in fact, this aspect is aimed at providing users assistance during and after the buying process, in order to improve customer loyalty and overcome their skepticism. However, it is worth pointing out that Social Media Marketing not only has advantages, but also have drawbacks that businesses needs to tackle. These online platforms need constant monitoring, respond to comments and promptly produce information according to user needs. Consequently, it is required a significant time investment; otherwise businesses will find it difficult to compete effectively. In addition, the use of social media in promotion and selling, imply several

complications on trust, privacy and data security issues. It is not always easy to overcome customer's reluctance and gain loyalty. Furthermore, customers can publicly show their degree of satisfaction about the quality of products and services purchased, thus creating positive or negative pressure for e-sellers. Therefore, negative posts or ratings can damage a marketing campaign: unhappy customers are more likely to prevent friend, relatives and other people to buy a specific brand, shaping a negative word-of mouth process, potentially detrimental for a company's image and its earnings.

4. Social Media in Practice

The proportion of social networks involved in online sales remains still small; 500 American e-commerce sites earned 3.3 billion dollars thanks to social networks in 2014, that was only 26 % more than in 2013 (Practical Commerce, 2019). In this context, Facebook is the most popular social media in Western countries and the most used social channel in the world (with 1.39 billion of active users). Although Asia Pacific region has more than 52.2% of the total social media users, Facebook is not the most popular in these countries. It is important to know that social networking penetration is at 25% in Southeast Asia, 7% in South Asia and 43% in East Asia. Table 1 provides a breakdown of social media penetration in Asia.

Table 1. Social media penetration in Asia (Statista, 2015)

Region	Social networking penetration by Asian region (2015)
South Asia	7%
Oceania	44%
East Asia	43%
Southeast Asia	26%

Despite Facebook's world domination, LINE is the most popular social media in Japan with 50 million monthly active users, which accounts for 40% of the Japan's population. China is the most interconnected Asian country, with 660 million users in January 2014; whereas the most popular social media in Asia is Tencent QQ (with 820 million of active users per month). The platform is the 3rd most popular social in the world, followed by Qzone (with 644 million of active users per month) which holds the 6th position globally and the 2nd in Asia; Youke with 500 million active users per month is 7th worldwide (Smart Insights, 2014).

Pinterest which has a relatively low user base surprisingly accounts for 16 % of the total turnover. Twitter and Instagram are mainly used to make public individual opinions and inform other users. Twitter, for example, is considered by the Internet users as the ideal place to find the necessary information before making a purchase; using it for the purposes of after-sales service can be a good strategy for companies, especially in the electronics industry (Hajli, 2013).

Social networks earned an estimated \$8.3 billion from advertising in 2015, and nowadays 38% of companies worldwide spend more than 20% of their total advertising budgets on social media channels. For instance, Facebook Messenger and WhatsApp handle 60 billion messages per day. It is also worth pointing out that 78% of people watch online videos every week, while 55% watch them every day. Table 2 lists the top 10 social networks apps worldwide (Kwahk and Ge, 2012).

Table 2. top 10 social networks apps worldwide

Applications	Number of active users
WhatsApp	1.000.000.000
Messenger	1.000.000.000
WeChat	806.000.000
QQ Chat	780.000.000
QZone	652.000.000
Instagram	500.000.000
Viber	249.000.000
Line	218.000.000
Snapchat	200.000.000
YY	122.000.000

5. Case Study: Social Media Use in the Restaurant Industry

This section investigates the use of social media channel in small businesses operating in the food sector, namely restaurants. The Center for Hospitality Research has defined this trend as “a work in progress”, after finding out in a survey that many restaurants are still unable to implement effective social media activities and target the receivers of their social media messages. Social media has been completely modifying several fields of restaurant operations, including customer support, marketing promotions and methods of recruiting new staff. Restaurateurs know that social media marketing is totally different compared to traditional practices, because importantly there is continuous interaction with customers. Despite difficulties in implementing successful e-marketing strategy, many restaurants are active on social media channels, in order to reduce fixed costs which traditional marketing practices would entail (Needles and Thompson, 2013).

Small businesses, like restaurants, are willing to invest money on online marketing to build strong relationships with current and potential customers. Approximately 59% of restaurants uses social media and 75% of family restaurants are trying to embrace this new phenomenon. Figure 5 demonstrates that large restaurants mostly invest their efforts on the use of social media. Higher the seating capacity, more common it is to seize web marketing potential as a source of competitive advantage.

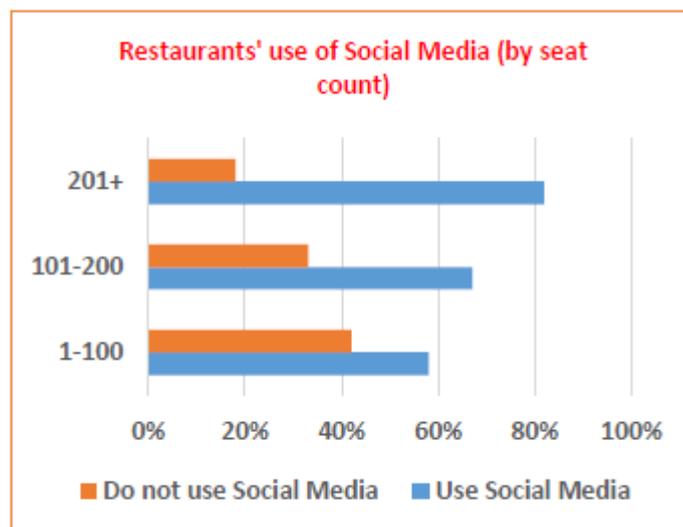


Figure 5. Restaurant’s use of Social Media by seat count (The Center for Hospitality Research, 2013)

Restaurants using social media prefer focusing on married individuals, followed by families and single individuals (Figure 6). On the other hand, restaurants not using social media, targets families, followed by married and single individuals.

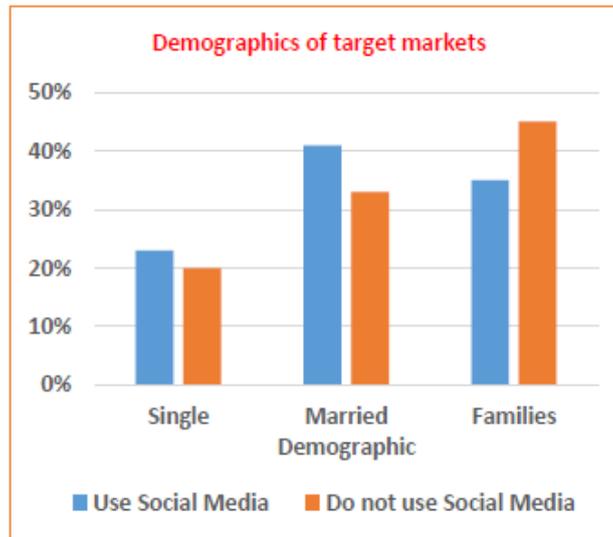


Figure 6. Demographics of target markets (The Center for Hospitality Research, 2013)

6. Conclusions

The analysis conducted in this paper demonstrates how social media marketing is becoming a viral phenomenon and being able to manage it effectively may ensure an outstanding competitive advantage. The development of the Internet, along with the affirmation of social media platforms, have encouraged the interconnectivity among people. Nowadays, consumers spend most of their time by sharing ratings, recommendations and past purchasing experiences through online forums and communities. These advancements have introduced the concept of social commerce, which consist of empowering consumers to generate contents and persuade other users to buy from a specific e-shop. Moreover, it has been proven that social media enhances the level of customer trust and at the same time inspires them to buy through social networking sites. As a result, all these interactions set trust within the network used, thus affecting the intention to buy. All the statistics reported in this article confirm the exponential growth in the popularity of several social media channels for marketing purpose not only among renowned companies, but also for small family businesses, like restaurants. Indeed, the latter is investing money on this form of internet marketing with an aim of improving brand awareness, getting new customers, increasing loyalty and boosting revenues.

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