

Marketing mix, customer value, and customer loyalty in social commerce

A stimulus-organism-response perspective

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Abstract

Purpose – Based on stimulus-organism-response model, the purpose of this paper is to develop an integrated model to explore the effects of six marketing-mix components (stimuli) on consumer loyalty (response) through consumer value (organism) in social commerce (SC).

Design/methodology/approach – In order to target online social buyers, a web-based survey was employed. Structural equation modeling with partial least squares (PLS) is used to analyze valid data from 599 consumers who have repurchase experience via Facebook.

Findings – The results from PLS analysis show that all components of SC marketing mix (SCMM) have significant effects on SC consumer value. Moreover, SC customer value positively influences SC customer loyalty (CL).

Research limitations/implications – The data for this study are collected from Facebook only and the sample size is limited; thus, replication studies are needed to improve generalizability and data representativeness of the study. Moreover, longitudinal studies are needed to verify the causality among the constructs in the proposed research model.

Practical implications – SC sellers should implement more effective SCMM strategies to foster SC CL through better SCMM decisions.

Social implications – The SCMM components represent the collective benefits of social interaction, exemplifying the importance of effective communication and interaction among SC customers.

Originality/value – This study develops a parsimonious model to explain the over-arching effects of SCMM components on CL in SC mediated by customer value. It confirms that utilitarian, hedonic, and social values can be applied to online SC and that SCMM can be leveraged to achieve these values.

Keywords Social media, Customer loyalty, Customer value, Marketing mix, Social commerce

Paper type Research paper

1. Introduction

Today's sellers are facing challenges in implementing customer-oriented marketing strategies to meet customer demand and create customer value (Hubber *et al.*, 2001). With the emergence of social media, virtual business opportunities have gradually transformed from internet-based trading platforms into a social commerce (SC) platform (Hoffman and Fodor, 2010; Chung, 2015). SC is a business model that uses social media, such as Facebook, to support not only business-to-consumer (B2C) but also consumer-to-consumer (C2C) electronic-commerce transactions. Such platforms offer effective interactive services to engage their customers with SC (Andrew and Olivier, 2010), e.g. online chat, dating, video sharing, and virtual groups, known as social shopping. Social shopping is about connecting customers to discover, share, recommend, rate products, and initiate or simplify purchase decisions (Olbrich and Holsing, 2011/2012). Besides using the fan pages on Facebook for social shopping (Leong *et al.*, 2017), more and more businesses have cooperated with



individuals who are core members of the social network and have power of influence in the network. These core members can be social shopping initiators who posted some announcements on their personal pages or Facebook Groups and often uploaded a demonstration video or photos for sales items or added a link to their blogs for illustrating item details. Their fans often ask for the prices or other related questions. After the completion of purchase order forms, which may be the Group Docs in Facebook, external Google Forms, or official business websites, customers will remit payment to the sellers' accounts. Such a shopping process is common in Facebook Groups today.

Network closure among sellers and buyers in SC community is linking many customers closely and allowing sellers to face groups of customers from social media sites (Xiao *et al.*, 2015). Due to the real-time exchange of information among customers through social media, a new era of information transparency for consumption is arriving swiftly. Social media not only allow each user to communicate with a large number of customers whom they never met in their lives but also offer more buyer-generated information to them. Accordingly, the purchasing behaviors of customers are changing. In other words, they do not rely on the information provided by the sellers but prefer to believe in a wide range of referrals from customers, especially their friends, colleagues, relatives, professionals, peers, or net-pals in their social networks. They frequently assess product reviews provided by social media before consumption. Past research has shown that social support and social presence could increase customers' intention to shop on social media websites (Kim *et al.*, 2013). Hence, social media platforms with lower information asymmetry enable customers to find easily the most economic and affordable way of shopping.

Social media enable social interaction and information exchange among social network members (be it business or individual) and assist them in online buying and selling of products and services (Yang *et al.*, 2013/2014). Recently, Yadav *et al.* (2013, p. 312) defined SC 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." In this vein, SC is a type of electronic commerce that engages in two-way interactions among social network members and continues maintaining customer relationship as well as conducting various transaction behaviors through social media. Economically, SC increases the quantity of a single purchase order from a community of consumption whose members have the same demand; this result in an increase in the bargaining power of the community and the benefit for customers to lower their transaction costs. Meanwhile, the sellers are able to increase the profit margin of sales relatively by lowering the costs in marketing and new customer development. Such online SC extending from individual consumption to community consumption is beneficial to both the buyer and the seller; thus, more and more sellers have adopted SC business model and engaged in marketing mix on social media. Through this marketing mix, sellers can maintain real-time interactions and establish social relations with customers, and enhance long-term customer loyalty (CL) in SC.

Peters *et al.* (2013, p. 281) indicated that "social media are fundamentally different from any traditional or other online media because of their social network structure and egalitarian nature." Yet, the challenge is how to connect these social media sites successfully with e-business sites (O'Malley, 2006). On the information side, Wang and Zhang (2012) stated that "social shopping sites support customers by combining research and purchasing into a one-stop activity." In the SC context, sellers cannot just apply the traditional enterprise-based 4P-mix: product, price, promotion, and place (McCarthy, 1960), or individual-based 4C-mix: communication, customer's needs, cost, and convenience (Lauterborn, 1990) as the marketing means. At this time, using social media can interact better with customers at different levels of ties, including their friends, relatives, peers,

and other potential customers, in order to strengthen two-way communication, enhance mutual understanding, and cultivate loyal customers. Sellers usually adopt a variety of marketing plan and marketing mix. Those whose products are not yet fully accepted by customers cannot achieve satisfactory results. In other words, each customer has an invisible surrounding social network and social sellers must implement marketing activities on social media to influence this network through interactive communications, known as “social media marketing (SMM)” (Hoffman and Fodor; 2010; De Vries *et al.*, 2012). However, unlike the traditional marketing mix, there is little understanding so far about the strategic SMM mix in SC.

Unlike the 4C’s niche marketing, SMM is an interactive marketing that promotes customer coalition in purchasing beyond its objectives of brand awareness, brand engagement, and word-of-mouth (Hoffman and Fodor, 2010). It covers activities involving sharing information about events, products, services, brands, among others, via the social Web 2.0 sites such as blogs, microblogs, social networks, video sharing sites, etc. In the SC context, the traditional one-way linear communication model of marketing has evolved into a two-way interactive SMM model (Hoffman and Fodor, 2010). The prevalence of social media has led the sellers to face with many social networks and each comprises customers and their various ties, making SMM increasingly critical to the success of SC programs launched by the sellers. The strategic mix of SMM in SC is undoubtedly the bedrock of social commerce marketing mix (SCMM).

In this study, we explore the effectiveness of SCMM that differs from traditional online marketing mix. We probe into the customer value in SC and identify the antecedents of CL. A basic model based on the stimulus-organism-response (S-O-R) theory (Mehrabian and Russell, 1974) is constructed in Figure 1. In this model, SCMM is conceived as the stimulus, while SC customer is the organism and CL is the response. The S-O-R theory indicates that organism can mediate the effect of stimulus on response (Mehrabian and Russell, 1974). The core proposition (see Figure 1) is that the formation of CL begins with the input of SCMM stimulus, followed by the process of SC value organism, and finally results in the output of loyalty response. Prior research (Jones *et al.*, 2006) pointed out that customer value is one of the constructs that best explains customer decision making, and that the value perceptions (including utilitarian value (UV), hedonic value (HV), and social value (SV)) are considered as the cognitive, affective, and social states of customers. Thus, customer value can be a surrogate of process organism in SC. Furthermore, the stimuli of SCMM can be measured by SCMM components, but these components are rarely discussed in the literature. As SC is becoming a part of our lives, the paucity of related SCMM research prompts us to probe into SCMM, and how this mix, in conjunction with customer value in SC, affects CL.

The remaining sections are organized as follows. Section 2 reviews the extant literature and identifies the components of SCMM. Section 3 explains the relationships among research variables and develops pertinent hypotheses. Section 4 presents the research model, research method, and questionnaire design. Section 5 reports the data analysis and Section 6 discusses the results and conclusions. Finally, Section 7 describes theoretical and managerial implications as well as future research directions.

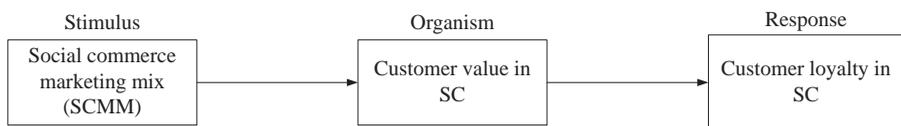


Figure 1.
Basic model based
on S-O-R theory

Note: The surrogate measure is in parentheses

2. Theoretical background

2.1 S-O-R theory

The S-O-R theory, as outlined by Woodworth (1928), is known for delineating how the organism mediates the relationship between the stimulus and response by postulating different mediating mechanisms operating in the organism. These mediating mechanisms translate environmental stimuli into behavioral responses which are outputs of the process exhibited as consumer behaviors such as purchasing or not purchasing (Lichtenstein *et al.*, 1988). The organism is represented by affective and cognitive intermediary states and reflects the psychological processing of the cues such as perceived value, perceived quality, and perceived risk (Kim and Lennon, 2013). Such kind of S-O-R process exists in a neural network where a neuron receives signals from neighboring cells; it “adds up the incoming signals over time and at some level will respond to the inputs” (Li, 1994, p. 304). Taking from this S-O-R process, Mehrabian and Russell (1974) further proposed a paradigm to extend that stimuli from environments affect an individual’s cognitive and affective reactions, which in turn influence his/her behavior. The S-O-R theory has been considered as a psychology theory which is popular in the studies of consumer behavior (Fiore and Kim, 2007; Chang *et al.*, 2011). Eroglu *et al.* (2003) used the S-O-R theory to verify that the atmospheric cues (stimuli) of the online store affect shoppers’ cognitive and emotional states (organism), which then influence their shopping behavioral outcomes (responses). Accordingly, perceived value (organism) based on how much customers want or need it such as utilitarian and hedonic that are triggered by stimuli of website atmosphere plays a mediating role that significantly affects customers’ loyalty outcomes such as recommendation, search, and retention (responses). Of interest to this study is to develop a model for explaining the formation of CL. We hereby propose a basic model based on S-O-R theory to examine how the SCMM (stimulus) affects customers’ value perceptions (organism), which in turn influence CL behavior (response) in SC.

2.2 Mass marketing and niche marketing: from 4Ps to 4Cs

Marketing refers to a process of doing things in interaction with consumers to understand and satisfy consumer demands (Vargo and Lusch, 2004). Mass marketing is a market-coverage strategy in which a firm decides not to differentiate marketing segments and appeal the whole market with one offer or one strategy (Kotler and Armstrong, 1994). For mass marketing, marketers usually employ the 4P’s marketing mix which was proposed by McCarthy (1960) as a means of translating marketing plan into practice for an enterprise. It is a business tool to determine a product mix (product), set a selling price for each product (price), persuade consumer to buy (promotion), and distribute products to consumers (place). Since the 1980s, this type of marketing means has gradually losing its edge because the rapid advance of information and communication technologies, especially internet in the mid-1990s, has brought about changing consumer demands, which have created a multitude of diverse and fractured markets in contrast to a simple mass market (Dalgic and Leeuw, 1994). Such phenomenon shifts the focus of marketers from mass marketing to niche marketing. The 4P’s marketing mix utilized by traditional mass marketing strategy has been challenged by the mix of 4C’s in consumer-oriented niche marketing strategy (Lauterborn, 1990): communication, consumer needs, cost, and convenience, which, respectively, corresponds to promotion, product, price, and place in 4Ps. All marketing decisions are based on what consumers need and want. In addition, the process of segmentation, targeting, and positioning, known as the STP process (Webster, 2005), is introduced into a firm’s marketing plan. Following the STP process, marketers could formulate marketing strategies and select the 4Cs of marketing mix to create a dialogue with consumers (communication), identify what the consumer specifically wants to buy (consumer needs), minimize the total buying cost to satisfy what a consumer wants (cost), and provide the consumers with the ease of getting the products/services (convenience). Soon after the advent of social media in the early 2000s,

the power of control has swung from marketers to consumers (Hoffman and Fodor, 2010). Various online communities of consumption have emerged over the internet, creating a large economy in the consumer market worldwide and instigating a new form of business model in electronic commerce – social commerce. In this context, people prefer to believe in recommendations and word-of-mouth coming from relatives, friends, or other net-pals more than those from the promotion messages provided by marketers.

2.3 Marketing mix in SC: from 4Cs to 6Ss

In this study, we advocate that communication, as the first C in the 4Cs, is no longer one-to-one bilateral interactions between individual sellers and customers, but rather many-to-many interactions between one or more sellers and customers in the SC context. The scope of communication should be extended to comprise friends of customers and friends of friends. Commonly, there are two modes of communication in a social network: pull and push. The pull mode refers to the communication initiated by a network member through social interaction; it is endogenous in nature and enables a customer to accumulate social capital and develop social identification (SID). For the former, Ellison *et al.* (2011) stated that social connections between individuals and entities, which can be economically valuable, are enabled by a suite of SNS-related relational communication activities. According to social capital theory (Nahapiet and Ghoshal, 1998), there are three dimensions of social capital: structural, cognitive, and relational. Structural capital (STC) refers to the number and configuration of network ties, and the density of connections among individuals (Li *et al.*, 2013). Cognitive capital (CC) is the resource an individual develops over time as he or she interacts with others sharing understanding and expertise (Wasko and Faraj, 2005). Relational capital (RC) is the leverage an individual creates through trust, commitment, and reciprocity within the collective (Tsai and Ghoshal, 1998).

Regarding SID, Walther (1995, 1997) found that computer-mediated communication, such as social discussion, depth, and intimacy, can enable people self to categorize themselves as part of the in-group. According to social identity theory (Turner, 1975; Turner and Tajfel, 1982), SID occurs in a three-step process, starting with social categorization, followed by group polarization, and ending with self-stereotyping. Social categorization occurs when both the self and others are perceived, defined, or recognized as members of distinct social groups. Once categorization occurs, group polarization is triggered and “the common, typical, or representative attributes, behaviors, and norms that define and distinguish one group from others are ascertained” (Mackie, 1986, p. 720). As a consequence, groups are likely to be perceived as more homogeneous, more prototypical, or more stereotypically extreme. Finally, self-stereotyping commences when the perceived characteristics and norms of the group are attributed to the self (i.e. adopted or conformed to). In essence, SID with a reference group of individuals may make an attitude become important to a person if the group’s rights or privileges are perceived to be at stake (Boninger *et al.*, 1995). For this study, we conceive that the communication activities of SCMM can accumulate a customer’s social capital and shape his/her SID, which in turn affects the customer’s value perception and loyalty behavior. In contrast, the push mode refers to the communication received by a network member from others in the social network. It is exogenous in nature and usually affects the value perception of an individual through social influence (SI) (Deutsch and Gerard, 1964) because members may affect the customer behavior of others through overt communication processes (Moschis, 1985). SI has been explained by theory of reasoned action (Fishbein and Ajzen, 1975) as subjective norm and applied to technology acceptance models (Venkatesh *et al.*, 2003). Normative SI conforms oneself to one’s own judgment which may be thought of as an “internalized social process in which the individual holds expectations with regard to his own behavior; conforming to positive self-expectations leads to feeling of self-esteem or self-approval while nonconformity leads to feelings of anxiety or guilt”

(Deutsch and Gerard, 1964, p. 630). Moreover, SI could be informational which refers to an influence to accept information obtained from others as the evidence about reality (Deutsch and Gerard, 1964). In this study, we define SI as the explicit or implicit notion that the individual's behavior is influenced by the way in which he/she believes important others will view him/her as a result of the behavior (Venkatesh *et al.*, 2003).

Based on the above discourse, this study extends the communication component of 4Cs into three interaction components of SCMM: social capital, SID, and SI. Liang *et al.* (2011/2012) stated that the strength of the tie resulting from social support and relationship quality will affect a user's decision and the success of SC. While the first S concerns with what you could do as a social customer to other community members (e.g. building closer relationship, better understanding, or higher trust); the second S concerns how much you care which group you belong to (SID); and the last S pertains to what other members could do to you or what they advise you to do (SI). It is worth noting that all three Ss require collaborative effort of community members to flourish. However, the roles played by the customer and the other members may be opposite; while one is active, the other may be passive. For example, in the first S, the customer may actively engage in social interactions, but the other members may not reciprocate the customer's good intention to strengthen the ties. Likewise, in the last two Ss, the other members may actively exert identification and influence on the customer, but the customer may not be receptive to their opinions and thoughts. In this vein, social sellers should strive for enticing the customers to care more about what important others actually advise and think of them. Therefore, all the three aforementioned Ss are the key interaction components that shape the formulation of communication-related SCMM.

Next, customer-needs component is commonly driven by utilitarian and hedonic motivations; but in the SC context, it also involves social motivation (Rintamäki *et al.*, 2006). Therefore, we suggest that customer's needs in the SC context be extended to cover not only the two product/service-related (utilitarian and hedonic) needs but also community-related social need, that is, these three types of needs together constitute the SC needs (SCN). Regarding the cost in the 4Cs, it reflects the reality of the total cost of ownership (TCO) which includes monetary costs (e.g. product cost, shipping cost, etc.) and non-monetary costs (e.g. search cost, bargain cost, etc.). The TCO can be a financial estimate intended to help buyers determine the direct and indirect costs of a product or service. However, buying a product in a B2C commerce concerns more than just TCO; it involves risks. Taking the example of transaction cost, it is a cost incurred during economic exchange which accompanied with expenses and hidden risks of shopping, such as costs in bargaining and breach of contract (Oliver, 1975). In the SC context, the total ownership cost in C2C commerce tends to decrease, yet the risks (e.g. information asymmetry and fraud risk) are much higher than those in B2B or B2C commerce. Specifically, SC increases the quantity of a single purchase order from a community of consumption whose members have the same demand; this results in an increase in the bargaining power of the community and the benefit for customers to lower their transaction costs. However, buying goods in SC is riskier; whereas, customer risks are concerned with privacy infringement, system security, fraudulent behavior, credit card fault, and product risk (e.g. not getting what was expected). In addition, it involves an extra social risk – relationship conflict. For example, when a customer in the Apple community buys a Samsung product, he or she usually will be eyeballed by the community members, resulting in being alienated by the community. It is conceivable that risk is perceived as a more effective measure of customer's level of uncertainty regarding the outcome of a purchase decision in the unreliable SC context (Farivar *et al.*, 2017). Prior studies (Van der Heijden *et al.*, 2003; Chang *et al.*, 2005) confirmed that risk has a significantly negative impact on intention and actual online purchasing behavior. In contrast, Vijayasarathy (2002) found no effect of cost on purchase intention. Therefore, we propose extending the cost component in the 4Cs into SC risk (SCR) which

includes product, financial, and social risks. Finally, social media afford convenience to customers and allow each of them to quickly access different social networks in order to shop without leaving his/her favorite social network. This makes it easier for a customer to shop for all the products that he/she needs and makes it more convenient and fun. The customers can also conveniently interact with other customers for exchanging information about the product/service experience. Hence, we propose to extend the convenience component in the 4Cs with SC convenience (SCC) in this study. Based on the rationale described above, this study derives 6Ss from 4Cs (see Figure 2) to operationalize the SCMM for targeting customers in SC, including social capital, SID, SI, SCN, SCR, and SCC. Table I shows a comparison of marketing-mix components from 4Ps and 4Cs to 6Ss.

2.4 Customer value in SC

Customer value is commonly defined as a relativistic preference characterizing a customer’s experience of interacting with some objects such as goods, thing, place, event,

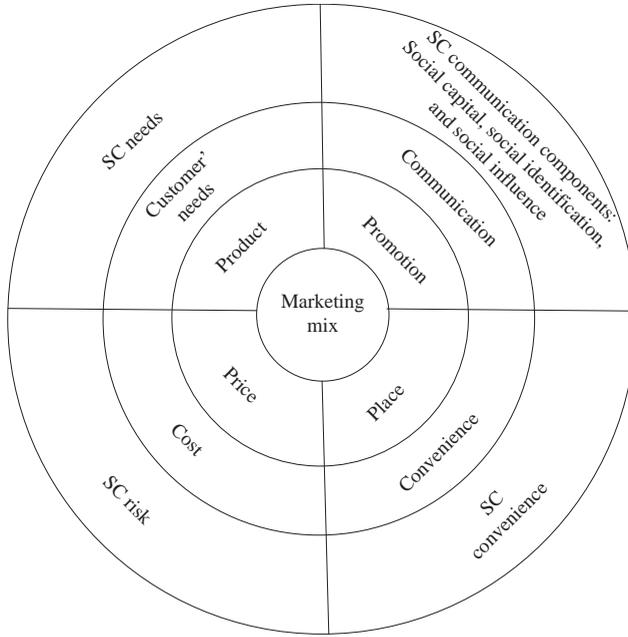


Figure 2.
The new 6Ss for social commerce marketing

4Ps	4Cs	6Ss
1. Product	1. Customer’s needs	1. SC needs
2. Price	2. Cost	2. SC risk
3. Place	3. Convenience	3. SC convenience
4. Promotion	4. Communication	<i>Pull mode of SC communication:</i>
		4. Social capital
		5. Social identification
		<i>Push mode of SC communication:</i>
		6. Social influence

Table I.
The comparison of marketing-mix components from 4’s and 4Cs to 6Ss