

# The Effects of Characteristics of Social Commerce have on Customers' Purchase Decisions

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## Keywords

Social Commerce, Word-of-mouth, SNS, Customer's, Purchase Decisions

## Abstract

*This research focuses on how the factors influencing the characteristics and the words-of-mouth effect influences the consumer's purchase decision. Especially, it was researched how the word-of-mouth influences the characteristics of social commerce and purchase decision.*

*As a result, decision-making support system and social influence seemed to have variables and influences on word-of-mouth effect, and cost-reducing and impulse buying did not seem to have any variables or influences on the word-of-mouth effect. Also, the variables influencing the characteristic of social commerce and word-of-mouth effect seemed to influence the purchase decisions of the consumer. The variables influencing the word-of-mouth effect seemed to be influenced much greatly by the characteristics of the sender and the receiver rather than the characteristic of the message.*

*This research has revealed that the word-of-mouth effect of social commerce influenced the purchase decisions of customers using social commerce. The significance of this research is in providing the basis for more efficient and effective marketing by social commerce corporations.*

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## 1. Introduction

Social commerce is a commercial services of consumer domain related to SNS(Social Network Services) developed from Web 2.0 with the characteristics of participation, sharing and opening. Social commerce is made through the two routes of mass communication in which dispersion of products or information is made directly between the mass media and the consumers and the word-of-mouth communication (WOM Communication) made between consumers. Whereas WOM communication is difficult for the corporations to control as they are activities of sharing the consumption information between the consumers, mass communication have been utilized aggressively as management and control is very easy from the corporation's perspective. From the domain of marketing, research on communication had been mostly focused on communication utilizing mass media, and research on WOM Communication, sharing of consumption information among consumers had been insufficient. [Jun & Park, 2003]. However, recently, as the advertisement costs of the corporations increased, and as new medias of the Internet and mobile are developed variously, the effect compared to the input costs of marketing through mass communication is decreasing, and as research results suggesting that the WOM Communication has a substantial influence in the product decisions of consumers are suggested, corporations are recently trying to utilize WOM Communication as a new alternative to have efficient effects with little costs. Word-of-Mouth effects and word-of-mouth communication have been researched continuously in e-commerce and online shopping.

The relationship between the characteristic of social commerce emerging in online e-commerce and the word-of-mouth effect plays a large role in the consumption of consumers. [Bayus, 1985] analyzed the influence of word-of-mouth effect on the reactions of the consumer group, or the sales. In this research, the influence of word-of-mouth and marketing activities on sales are interpreted centered on marketing activities, considering the influence of marketing activities on sales as effect of direct marketing effect, and that word-of-mouth indirectly influences sales by being occurred by marketing activities.

In this research, by considering that such word-of-mouth effects have limited research on online and e-commerce, the relationship between the characteristic of social commerce in which communication is made in the web environment among consumers and the factors influencing word-of-mouth effect influences the purchase decisions of consumers is explored.

## 2. A Brief Survey of Literature

Social commerce has the characteristic in which recommendations of friends or reliable acquaintances based on trust are important. Therefore, in social commerce, synergy effect is created by the combination of mobile based on smart-phone and social media with quick gossiping. As the smart phones have been publicized, the media environment has changed. Especially, the biggest characteristic of social commerce differing from the existing Internet shopping is that it may expand to not only the online but offline domains based on the SNS. [Han et al., 2011] Also, as the utilization of various SNS enables the users to share evaluations of the products and services, or experiences, the consumers are able to conduct the roles of information creators and providers. The SNS plays the role of mediating the creation, gaining, and dispersion of new information through experiential attributes and tacit knowledge that the consumers learn after utilizing the products and services. Through this, the SNS may contribute to overcoming the qualitative limitations of information that used to be suggested to consumers. [Na, 2010]

Though there are various factors in the success of social commerce, but according to [Shin, 2012], as factors for a social commerce to be successful, 6 factors of customers, credibility, product power, scope, brand awareness, number of members and contents have been mentioned. Also, as social commerce is a business model based on trust, credibility, the basis of social commerce has been mentioned as the most important factors. According to [Ryu et al., 2013], the factors influencing the purchase intentions of consumers are the characteristics of social commerce(dangers, prices, cognitive information, collectivism, provision of information) and characteristics of service quality (content, commerce, community, design and technology). [Seo & Lee, 2011] noted that among the characteristics of social commerce, social characteristic, personalization and trust influence the purchase intentions of social commerce. [Cho, 2012] revealed that the higher the characteristic of social commerce (word-of-mouth effect, reciprocal characteristic, security, provision, provision of variety, discount of prices), trust(fame of the business) and the characteristic of user(characteristic of pursuing information, innovation), it influences the purchase intentions of the user, and [Cho & Yang, 2012] revealed that utility, value of pleasure, and utilitarian shopping value influences the purchase intentions.

There are various characteristics of social commerce. [Han et al., 2011] suggested them as the reduction of costs, impulse buying, social influence, decision making support and word of mouth effect in a research named "The Influence of Domestic Social Commerce on the Purchase Decisions: Based on the Controlling Effects of the SNS".

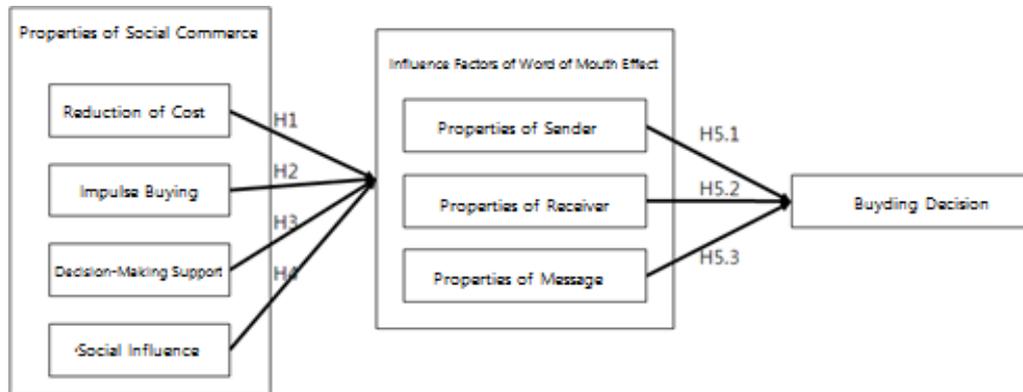
To confirm the relationship with word-of-mouth effect through the characteristics of social commerce and the success of business, literature review on the word-of-mouth effect was conducted. [Henning-Thurau et al., 2004] researched the motive of posting reviews on the Internet. As a result, desire to interact, economic incentive, interest on other consumers, and the enforcement of potential value were extracted as important factors.

## 3. Data and Methodology

In this research, a research model was designed based on The Influence of Domestic Social Commerce on the Purchase Decisions: Based on the Controlling Effects of the SNS of [Han et al, 2011]. In existing research, the 5 variables of reduction of costs, impulse purchase, social influence, decision making support and word-of-mouth effect were set as individual variables to research the influence on purchase intentions with the utilization of the SNS as a mediation variable. However, in this research, word-of-mouth effect, one of the characteristics of social commerce was set as a

mediation variable.

Though there are many efforts on the existing word-of-mouth-effect, but in this research, the justification of the word-of-mouth effect was justified based on “A Cross-Cultural Study on the Determinants of eWOM Effect” by [Park & Lee, 2006]. The first definition of word-of-mouth effect is the public confidence of social commerce, the characteristics of the sender. The second is justified as the characteristic of the sender by considering the product knowledge and the utilization of the Internet, and lastly the characteristic of the message, which is the direction of the word-of-mouth message and the channel. This research aims to deduct the characteristic of existing social commerce and factors influencing the word-of-mouth effect to see how they influence the purchase decisions of a consumer.



**Figure 1. Research Model**

This research expects to determine the relationship between the characteristics of social commerce and the word-of-mouth effect, and how such variables influence the consumer purchase decisions. A survey was conducted for consumers with the experience of utilizing social commerce, the survey was analyzed, and each hypothesis was proved through regression analysis for verifying the hypothesis.

To verify the hypothesis, accurate definition of the concept must be made, and such definition of concept must be made by transforming the concept selected in research into form observable and measurable in comparison to the actual circumstances through operant definition. In this research, the influence on the dependent variables, of characteristic of social commerce, word-of-mouth effect as a mediation variable, and the consumer purchase decision as a dependent variable are measured. Each variable is justified based on the content examined in the theoretical background. The content to be measured of the variables used in this research through operant definition is as follows. In this research, three factors of characteristic of social commerce, word-of-mouth effect, and influence on the consumer purchase decision were introduced. The characteristic of social commerce utilized 4 measurement variables of reduction of costs, impulse purchase, social influence, and decision making support, the word-of-mouth effect had three measurement variables of characteristic of the sender, the characteristic of receiver, and characteristic of the message, and the influence on the consumer purchase decision utilized measurement variables by linking with the word-of-mouth effects.

#### 4. Analysis & Findings

To verify the relationship between the characteristic of social commerce and the influenced factors, reduction of costs, impulsive purchase, decision-making support, and social influence were set as independent variables, characteristic of the sender, the characteristic of the receiver, and the characteristic of the message was set as independent variables in conducting the multiple regression analysis, and the result is as follows.

Model	Non-standardized coefficient		Standardized coefficient	t	Significance Probability	Collinearity Statistics	
	B	Standard Error	Beta			Allowances	VIF
(Constant)	-.002	.055		-.041	.967		
Reduction of Costs 1	.052	.082	.051	.627	.531	.457	2.187
Reduction of Costs 2	.057	.066	.053	.870	.386	.804	1.243
Impulsive Purchase 1	.168	.080	.166	2.109	.037	.487	2.052
Impulsive Purchase 2	.186	.065	.187	2.868	.005	.712	1.405
Decision Making Support	.344	.092	.331	3.732	.000	.384	2.605
Social Influence	.208	.070	.208	2.968	.003	.613	1.632
R Square : .523				The revised R square : .505			
F : 28.832				Significance probability : 0.000			

**Table 1. The result of regression analysis between independent variable and word of mouth (characteristics of the sender and the receiver)**

As the result of the multiple regression analysis, Impulsive Purchase 1, Impulsive Purchase 2, Decision Making Support and Social Influence seemed to have significant influences with the significance probability of 0.05 level. However, the dependent variables on cost reduction did not seem to have influence. In examination of the influence of the selected factors, the word-of-mouth effect was influenced by the order of decision making support, social influence, Impulsive Purchase 2, and Impulsive Purchase 1.

Beta coefficient represented the slope of each variable in the regression model, and Impulsive Purchase 1, Impulsive Purchase 2, decision-making support and social influence were verified as having positive(+) effect on word-of-mouth effect.

Model	Non-standardized coefficient		Standardized coefficient	t	Significance Probability	Collinearity Statistics	
	B	Standard Error	Beta			Allowance	B
(Constant)	.041	.068		.608	.544		
Reduction of Costs 1	.129	.101	.133	1.270	.206	.457	2.187
Reduction of Costs 2	.258	.081	.251	3.183	.002	.804	1.243
Impulsive Purchase 1	-.233	.098	-.241	-2.378	.019	.487	2.052
Impulsive Purchase 2	-.188	.080	-.197	-2.358	.020	.712	1.405
Decision Making Support	.283	.113	.285	2.496	.014	.384	2.605

Social Influence	.193	.086	.203	2.246	.026	.613	1.632
R square : .212				Revised R Square : .182			
F : 7.085				P-value : .000			

**Table 2. Result of Regression Analysis Between Independent Variable and Word-of-Mouth Effect(Characteristic of Message)**

As a result of the multiple regression analysis of word-of-mouth effect 2, the dependent variables of reduction of cost 2, Impulsive Purchase 1, Impulsive Purchase Decision, and Social Influence had significant influences in the significance probability 0.05. In examination of the influences of the selected factor, the word-of-mouth effect was influenced in the order of Decision-Making Support, Reduction of Costs 2, Impulsive Purchase 1, Social Influence, and Impulsive Purchase 2. The beta coefficient represented the slope of each variable in the regression model, and Reduction of Costs 2, Decision Making Support and Social Influence had positive (+) influence on the word-of-mouth effect, and Impulsive Purchase 1 and 2 had negative influences (-).

In this research, to verify the effect of each mediation variable, 3-step mediation regression analysis method was conducted. The following analysis was conducted to verify the mediating effect through regression analysis. First of all, regression analysis was conducted for the independent variable and the mediation variable, and their significance level were verified. Secondly, regression analysis was conducted for the independent variable and dependent variable, and lastly, multiple-regression analysis was conducted for the dependent variable against independent variable and mediation variable. Mediating regression analysis is significant as mediation variables when the following conditions are satisfied.

First, dependent variable must have a significant influence on mediation variable. Second, independent variables must have significant effect on dependent variables. Third, the effect of the independent variables of the second step must be larger than the independent variable effect of the regression formula of the second step. Also, if the independent variable is not significant in the third regression formula, it has the perfect mediation effect, and if the independent variable is smaller than the second regression formula and significant, it as a partially mediating effect. The results of analysis methods are as follows.

Model		Non-standardized Coefficient		Standardized Coefficient	t	Significance Probability	
		B	Standard Error	Beta			
1 <sup>st</sup> step	Independent → Mediation (Word-of-mouth effect1)	(Coefficient)	-.002	.055		-.041	.967
		Reduction of Costs 1	.052	.082	.051	.627	.531
		Reduction of Costs 2	.057	.066	.053	.870	.386
		Impulsive Purchase 1	.168	.080	.166	2.109	.037
		Impulsive Purchase 2	.186	.065	.187	2.868	.005
		Decision-making support	.344	.092	.331	3.732	.000
		Social Influence	.208	.070	.208	2.968	.003
2 <sup>nd</sup>	Independent	(Coefficient)	3.356	.026		129.822	.000

Step	→ Dependent	Reduction of Costs 1	.067	.038	.118	1.736	.085
		Reduction of Costs 2	.114	.031	.191	3.713	.000
		Impulsive Purchase 1	.001	.037	.001	.018	.985
		Impulsive Purchase 2	.022	.030	.039	.717	.474
		Decision-making support	.256	.043	.442	5.941	.000
		Social Influence	.162	.033	.293	4.967	.000
3 <sup>rd</sup> Step	Independent + Mediation (Word-of-Mouth Effect1) → Dependent	(Coefficient)	3.357	.021		160.815	.000
		Reduction of Costs 1	.052	.031	.093	1.686	.094
		Reduction of Costs 2	.098	.025	.164	3.950	.000
		Impulsive Purchase 1	-.046	.030	-.081	-1.506	.134
		Impulsive Purchase 2	-.030	.025	-.054	-1.189	.236
		Decision-making support	.160	.036	.277	4.424	.000
		Social Influence	.105	.027	.189	3.864	.000
		Word-of-mouth Characteristic_ Sender, receiver	.277	.030	.498	9.239	.000

**Table 3. The result of mediation regression analysis between the word-of mouth effect (Sender, receiver characteristic) and purchase decision**

When the mediation analysis of the word of mouth effect(sender characteristic, receiver characteristic) are conducted as mediation variables, variables influencing the purchase decision by being mediated by the word-of-mouth effect(sender characteristic, receiver characteristic) are the three variables of Reduction of Costs 2(daily Reduction of Costs), Decision Making Support and Social Influence. Though there are no changes to the level of significance, the value of standardized coefficient is changed when including the mediation variable compared to the values of independent variable and dependent variable, and the independent variable appeared to be significant in the second step and the third step. Therefore, the three variables do not show the perfect mediation effect, but partial mediation effect. Also, the standardization coefficient of the word-of-mouth effect (sender characteristic, receiver characteristic) appeared to be higher compared to independent variables, and the level of significance also seemed significant as .000.

Model		Non-Standardization Coefficient		Standardization Coefficient	t	Level of significance	
		B	Standard Error	Beta			
1 <sup>st</sup> Step	Independent	(Coefficient)	-.002	.055		-.041	.967
	→ Mediation (word-of-	Reduction of Costs 1	.052	.082	.051	.627	.531
		Reduction of Costs 2	.057	.066	.053	.870	.386
		Impulsive Purchase 1	.168	.080	.166	2.109	.037
		Impulsive Purchase 2	.186	.065	.187	2.868	.005

	mouth effect1)	Decision-making support	.344	.092	.331	3.732	.000
		Social Influence	.208	.070	.208	2.968	.003
2 <sup>nd</sup> Step	Independent	(Coefficient)	3.356	.026		129.822	.000
		Reduction of Costs 1	.067	.038	.118	1.736	.085
	→ Dependent	Reduction of Costs 2	.114	.031	.191	3.713	.000
		Impulsive Purchase 1	.001	.037	.001	.018	.985
		Impulsive Purchase 2	.022	.030	.039	.717	.474
		Decision-making support	.256	.043	.442	5.941	.000
		Social Influence	.162	.033	.293	4.967	.000
3 <sup>rd</sup> Step	Independent + Mediation (Word-of-mouth effect1)	(Coefficient)	3.357	.021		160.815	.000
		Reduction of Costs 1	.052	.031	.093	1.686	.094
	→ Dependent	Reduction of Costs 2	.098	.025	.164	3.950	.000
		Impulsive Purchase 1	-.046	.030	-.081	-1.506	.134
		Impulsive Purchase 2	-.030	.025	-.054	-1.189	.236
		Decision-making support	.160	.036	.277	4.424	.000
		Social Influence	.105	.027	.189	3.864	.000
		Word-of-mouth Characteristic_ Sender, receiver	.277	.030	.498	9.239	.000

**Table 4. The result of mediation regression analysis between the word-of-mouth effect(characteristic of message) and purchase decision**

When the mediation analysis of the word-of mouth effect(characteristic of the message) as a mediation variable is interpreted, the variables influencing the purchase decisions are the three variables of reduction of cost 2(daily reduction of costs), Decision-Making Support, and Social Influence. Though there are no changes in the significance level except for the Reduction of Cost 2(Daily reduction of cost), the value of standardized coefficient changed when including the mediation variables compared to the values of the independent variables and the dependent variables, and the independent variable was significant in the 2<sup>nd</sup> and the 3<sup>rd</sup> step. Therefore, the three variables of the word-of-mouth effect 2(Characteristic of message) does not show perfect mediation effect, but partial mediation effect. Also, the standardization coefficient of the word-of-mouth effect(characteristic of the message) appeared to be lower compared to the word-of-mouth effect 1 (characteristic of sender and receiver), but appeared to be higher compared to other independent variables except for the decision-making support system, and the level of significance seemed to be significant as .000.

15 hypothesis were established according to the research model, but through factor analysis, the reduction of costs and impulsive purchase of independent variable were categorized as two factors that the revised hypothesis was analyzed, and the verification of the hypothesis of this research is as follows.

Hypothesis	Standardization Coefficient	Significance Level	Whether selected
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H1.3.2	Reduction of costs (daily) will have positive (+) influence on the characteristic of the message.	.251	.002	Selected
H2.1.2	Impulsive purchase (cognitive) will have positive (+) influence on the characteristic of the sender.	.187	.005	Selected
H2.2.2	Impulsive purchase (cognitive) will have positive (+) influence on the characteristic of the receiver.	.187	.005	Selected
H3.1	Decision-making support will have positive (+) influence on the characteristic of the sender.	.331	.001	Selected
H3.2	Decision-making support will have positive (+) influence on the characteristic of the receiver.	.331	.001	Selected
H3.3	Decision-making support will have positive (+) influence on the characteristic of the message.	.285	.014	Selected
H4.1	Social influence will have positive (+) influence on the characteristic of the sender.	.208	.003	Selected
H4.2	Social influence will have positive (+) influence on the characteristic of the receiver.	.208	.003	Selected
H4.3	Social influence will have positive (+) influence on the characteristic of the message.	.203	.026	Selected
H5.1	The characteristic of social commerce and the characteristic of the sender will have positive (+) influence on the consumer purchase decision.	.489	.000	Selected
H5.2	The characteristic of social commerce and the characteristic of the receiver will have positive (+) influence on the consumer purchase decision.	.489	.000	Selected
H5.3	The characteristic of social commerce and the characteristic of message will have positive (+) influence on the consumer purchase decision.	.300	.000	Selected

**Table 5. Verification of Hypothesis**

Among the characteristics of social commerce, reduction of cost did not have significant influence on the word-of-mouth effect. Among the factors influencing the independent variables of daily (brand awareness, relationship with the sender, product information) reduction of costs and word-of-mouth, mediation variable, the characteristic of message only seemed to have significant influence. The factors influencing impulsive purchase and word-of-mouth effect as the hypothesis, only two factors of emotional (message channel, sharing of message, utilization of the SNS) Impulsive Purchase and the Characteristics of the Sender and the Receiver did not have significant influences, and Impulsive purchase affected the characteristic of the message negatively (-), rejecting the hypothesis that it had positive (+) influence. However, cognitive (brand awareness, relationship with the sender, information of the product) impulsive purchase was analyzed to influence the characteristic of the sender and receiver. Decision making support and social influence had significant influence on mediation variables. Therefore hypothesis 3 and 4 were selected. Lastly, hypothesis to regulated the relationship between independent variable, mediation variable and dependent variable were all selected, and the characteristic of social commerce and the factors influencing the word of mouth effect were all analyzed to have positive (+) influence on the consumer purchase decision.

In the analysis result, the factors influencing the characteristic of social commerce and the word-of-mouth effect seemed to influence the purchase decisions of consumers. This may be interpreted as that in utilization of social commerce by the consumer, word-of-mouth effects may influence purchase decisions of products and service much greater than the characteristic of social commerce.

## 6. Conclusion

The significance this research is that first, the word-of-mouth effect of social commerce and online have been researched. Though there are many prior efforts on existing research and the characteristic of social commerce, there was insufficient research on the relationship between social commerce and the word-of-mouth effect. From such perspective, this research may have significance in that it may suggest stepping stones for future research. Secondly, the conclusion that the characteristic of social commerce and the factors influencing the word-of-mouth influences the consumer purchase decisions has been deducted.

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