Offline social interactions and online shopping demand: Does the degree of social interactions matter?

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\section*{A B S T R A C T}

Offline social interactions and online shopping each have been studied extensively. Despite the importance of each construct, little is known about the effects of offline social interactions on online shopping. This study examines three research questions: (1) how offline social interactions affect online shopping in general, (2) how active and passive offline social interactions exert different influences on online shopping, and (3) how online shopping preferences moderate the influences from the two types of offline social interactions. Our empirical analyses provide three substantive findings. First, overall offline social interactions have a positive impact on online shopping demand. Second, while active offline social interactions have a positive informational influence on online shopping demand, passive offline social interactions have a negative normative influence on it. Third, online shopping preferences weaken both the positive informational and negative normative influences from both of offline social interactions. We also discuss theoretical and managerial implications.

\section*{1. Introduction}

Consumers are influenced by their social interactions before making purchase decisions (Chen, Wang, & Xie, 2011; Godes & Mayzlin, 2009; Lee & Bell, 2013; Ong & Yap, 2017). Motivation for social interactions may be to reduce perceived risk and to make better purchases by getting information and sharing experience (Choi, Bell, & Lodish, 2012; Gu, Park, & Konana, 2012; Lee & Bell, 2013; Lewis, Brown, & Billings, 2017). Note that information from offline social interactions can be perceived to be more reliable, as they (as we define them here) are based on face-to-face interactions while online social interactions are based on device-mediated interactions (e.g., text-based chatting) (Ramirez & Wang, 2008). The online shopping channel, a device-mediated channel, carries relatively higher risk and uncertainty (Cho & Workman, 2015; Lee & Bell, 2013; Yaoyuneyong, Foster, & Flynn, 2014). Thus, purchasing high involvement products via the online shopping channel may exacerbate consumer perception of higher risk and uncertainty, which can result in a greater reliance on offline social interactions.

The impact of geographical variation on online shopping has been well established in the marketing arena (e.g., Choi, Hui, & Bell, 2010; Forman, Ghose, & Goldfarb, 2009). Spatial variation in online demand has correlated with socio-demographic characteristics (e.g., market demand, sales tax rates) because the attractiveness and experience of the online channel vary depending on the local environment in which consumers live (Choi & Bell, 2011; Forman et al., 2009). Certainly, channel preference is an important issue for online retailers. Formed by local information and shopping experiences, this represents the channel disposition of each region (Overby & Lee, 2006).

One impactful factor well recognized by online retailers is that of social interactions – not only online but offline as well. The impact of online social interactions on online shopping has been well studied (e.g., Katona, Zubcsek, & Sarvary, 2011; Manchanda, Packard, & Pattabhiramaiah, 2015; Wang, Baker, Wagner, & Wakefield, 2007; Zhang, Liu, & Chen, 2015); however, that of offline social interactions has not, partly because of the paucity of offline social interactions data in coordination with online shopping data. In fact, within the political and social science arenas, various kinds of offline social interactions have been found to exert different types of influence by the range of participation (Adler & Goggin, 2005; Centola & Macy, 2007; Gouldner, 1957; Merton, 1968; Reagans & Zuckerman, 2008; Susarla, Oh, & Tan, 2012; Wojcieszak, 2009). Such disaggregation of offline social interactions is not as well studied in the online shopping literature. Finally, previous research in online shopping has examined how online shopping preferences moderate influences from online factors associated with and contributing to online shopping (e.g., Broekhuizen,
Hoeckstra, & Jager, 2013; Jin & Park, 2006; Pappas, Pateli, Giannakos, & Chrissikopoulos, 2014). However, again due to data limitations, the moderating effect of online shopping preferences on offline social interactions, and in turn, online shopping has not been closely examined.

In spite of the increasing recognition of offline social interactions and its impact on online shopping, academic literature in this context is somewhat sparse. With the recent availability of suitable cross-channel data, offline social interactions have received increased, although limited, attention in marketing (e.g., Choi et al., 2010; Choi et al., 2012; Lee & Bell, 2013). Lee and Bell (2013), for example, use sales data from Bonobos.com, an online fashion retailer which encourages consumers to try on products at either their homes or pop-up stores and find that offline social capital helps reduce the uncertainty of online shopping. In fact, few studies in prior research, while demonstrating the importance of offline social interactions and online shopping preferences on online shopping demand, have put these three constructs together. Also, decomposing offline social interactions into types may provide a deeper understanding into the offline social interaction process. In the current study, we explain how the degree of offline social interactions, extended from prior social research, impacts consumers’ decision regarding online shopping. We also consider the local variation in online shopping preference that operates through signals from prior experience.

This research thus contributes to extant studies by understanding the influence of offline social interactions on online shopping demand and the moderating role of online shopping preferences in these relationships. Specifically, we address the following three questions. First, do offline social interactions affect online shopping demand in general? Second, does the level of influence on online shopping vary depending on the nature of the offline social interactions? Third, how do online channel preferences moderate the main effects of offline social interactions? In order to empirically address these issues, we choose a product category in which offline social interactions play a crucial role in generating online demand. We thus obtain sales data from a leading Internet retailer selling baby products and merge it with market potential data as well as census data to account for regional demographics and market conditions.

Our empirical analyses provide the three important findings. First, overall offline social interactions do indeed have a positive influence on online shopping demand. Second, a closer study reveals that not all offline social interactions are the same, nor are all influences the same, and the nature of the impact will depend on both. Third, the moderating effects of online shopping preferences vary based on the nature of offline social interactions.

We organize the rest of the paper as follows. First, we discuss the background and hypotheses. Then we describe the data and present our modeling framework. Next, we report and explain empirical results. Finally, we discuss implications and directions for future research.

2. Background

We focus our discussion on the three streams of literature we draw upon to develop our hypotheses. That is, we divide the discussion into the following three sections: 1) nature of offline social interactions, 2) offline social interactions and online shopping demand, and 3) moderating roles of online shopping preferences.

2.1. Nature of offline social interactions

Previous studies in the political and sociological sciences have grouped offline social interactions into categories (Adler & Goggin, 2005; Centola & Macy, 2007; Gouldner, 1957; Merton, 1968; Reagans & Zuckerman, 2008; Susarla et al., 2012; Wojcieszak, 2009). While these studies use different constructs and terminologies (active social interactions and passive social interactions for Adler & Goggin, 2005; long-term social interactions and local-tie social interactions for Susarla et al., 2012; cosmopolitan social interactions and local social interactions for Reagans & Zuckerman, 2008; significant-tie social interactions and core-tie social interactions for Wojcieszak, 2009), they are essentially consistent in their conceptualization of offline social interactions.

Active social interactions (over a long tie) are explained by social activities over a public sphere (such as active participation in a political party or interest group) (Adler & Goggin, 2005; Centola & Macy, 2007; Gouldner, 1957; Merton, 1968; Reagans & Zuckerman, 2008). Adler and Goggin (2005) explain these interactions as characterized by a connection with ‘a greater range of community’. These interactions often reflect an informational component of influence, especially for new activities (Muk, Chung, & Kim, 2014). This makes logical sense given that long ties, which such social interactions are mostly composed of, convey diverse, rich, and potentially new ideas that could not be obtained from local ties (Granovetter, 1973; McLeod et al., 1999; Wojcieszak, 2009).

In contrast, passive social interactions (over a local tie) encompass actions within a smaller, more private sphere (e.g., chat with local neighbors and close friends) (Centola & Macy, 2007; Gouldner, 1957; Merton, 1968; Reagans & Zuckerman, 2008). Members within such smaller groups try to avoid conflicts and maintain these few but strong relationships (Bikhchandani, Hirshleifer, & Welch, 1992). Interactions within such closely connected friends increase their attachment to the group and fearing social isolation from the group, they try to follow norms that are set within local ties. Following prior studies, these interactions have a normative influence.

Note that while such offline social interactions with informational and/or normative influence may carry significant implications for marketing (e.g., in terms of communication and advertising strategies), few studies have used them in the context of online shopping.

2.2. Offline social interactions and online shopping demand

The impact of online social interactions on online shopping is a well-researched area (e.g., Katona et al., 2011; Manchanda et al., 2015; Park & Kang, 2013; Wang et al., 2007; Zhang et al., 2015). Recent studies have shown that online social interactions have a positive impact on online sales and increase customer expenditure (Chen et al., 2011; Manchanda et al., 2015). Zhang et al. (2015) study the effects of online social interactions on online shopping performances beyond the first-time adoption. Nevertheless, extending the same implications to study the impact of offline social interactions may not be appropriate for several reasons. Firstly, offline social interactions may well provide greater reliability of information than online channels since they interact face-to-face (Ramirez & Wang, 2008). Secondly, offline social interactions are often locally based opinion or experience exchanges - that is, information senders and recipients are within the same region (Lee & Bell, 2013). Such interactions may be potentially more powerful than social interactions via other sources (such as online reviews and Internet mediated interaction).

In other evidence of the distinctiveness of offline interactions, Choi et al. (2012) show that offline social interactions (relative to online social interactions) are more associated with online demand while Subrahmanym, Reich, Waechter, and Espinoza (2008) show that offline and online social networks do not mirror each other. Furthermore, Choi et al. (2010) show that offline social interactions are more likely driven by geographical proximity among customers than by their demographic similarity. Given that consumers live offline and interact with offline friends even while shopping online, it becomes critical to understand the impact of offline social interactions. In fact, given the significant amount of research linking offline factors and their importance for online shopping (Choi & Bell, 2011; Forman et al., 2009; Kim, 2015) it is somewhat surprising that not more exploration has been conducted in this area.
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