



Investigating the intention to purchase digital items in social networking communities: A customer value perspective

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ABSTRACT

Some social networking community service providers have earned revenue by selling digital items to their community members. We examined SNC member decisions to purchase digital items based on customer value theory. Six factors were extracted from three dimensions of customer value: functional, social, and emotional value. Our findings indicated that the effects of value on member purchase intentions were significant in terms of the emotional and social dimensions. Our results should help SNC providers by improving their sales of digital items.

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1. Introduction

The majority of social networking community (SNC) providers have used advertising as a source of revenue. However a number of researchers and practitioners are trying to find ways to maximize SNC's revenue generation potential [10]. One alternative source is the sale of digital items to SNC members. These are new media elements used by members for representation, expression, and communication in online environments (e.g., online avatars, avatar accessories, decorative ornaments such as furniture, digital wallpapers, skins, background music, and virtual weapons used in Internet games) [12]. SNC members employ these digital items to decorate their web-pages, and communicate their identities to other members.

The sale of digital items has become increasingly widespread in online SNC, a distinctive form of SNC whose fundamental purpose is to help users connect with their friends, business partners, and other individuals. A representative case of a profitable SNC that sells digital items as its core business is Cyworld (http://www.cyworld.com/pims/mhsection/mh_index.asp), whose estimated daily revenue from digital item sales is about US\$0.3

million, and its annual sales are approximately US\$120 million. Following Cyworld, Internet firms such as Habbo (www.habbo.com), There.com (www.there.com), and Livejournal (www.livejournal.com) have also started to sell digital items to their members.

These SNCs have become increasingly popular and have evolved into massive networked groups with large member bases. Considering the network externalities embedded in the social system, the purchasing powers of these network groups could be substantially augmented. Therefore, a clear motive exists for marketers and practitioners to better understand the digital item purchase and usage behaviors of SNC members, so that the economic potential can be increased.

The literature relevant to purchase behavior reveals a lack of understanding of member motivation to purchase digital items from SNCs. Even though SNCs have clearly provided an innovative and profitable business model centered on the sale of digital items, the reasons that members purchase and use digital items remain unclear.

The principal objective of our study was therefore to examine SNC member digital item purchase behavior from a marketing perspective; we based our approach on customer value theory. The literature identifies customer *value* as a crucial predictor of consumer purchasing behavior. A number of studies [e.g., 1,21,23,27] have also shown that customer value is an important predictor of customer purchase decisions. Customer value theory

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is, therefore, a good lens to use in investigating consumer intention to purchase digital items.

2. Conceptual background

2.1. Digital items

Advertising is a principal source of revenue for a large number of SNCs (e.g., Facebook and MySpace). In search of an alternative revenue source, some SNCs have adopted innovative methods of generating revenue. Some SNCs have started generating revenue by selling digital items to their community members [8]. These “digital items” are new media elements utilized by members for representation, expression, and communication in online environments. There are two types of digital items, graphical digital items and musical digital items (e.g., songs and music). In this study, the focus was placed specifically on graphical digital items and on the consideration of their aesthetic value. A few common examples of graphical digital items include digital avatars, avatar accessories (e.g., clothes, shoes, and hats), decorative items for virtual rooms (e.g., furniture, art paintings, and wallpapers), and background skins. The prices for digital items typically range from a few cents to a few dollars.

Digital items can be used to represent their users. Users typically participate in a virtual world by controlling their avatar, a character that represents them in the virtual context [11]. Avatars are typically two-dimensional animated figures that represent one’s online self [26]. They have long been employed in a variety of fields on the Internet, including games, chat rooms, and live forums for online conversation [4]. Avatar technology has evolved from multiplayer online role-playing games (MMORPGs) and is being gradually integrated into a host of other social interaction platforms. For example, a few years ago, MSN introduced new avatar technology into Microsoft Passport in an effort to monetize its social messaging services by allowing avatars to be downloaded onto mobile handsets [16].

Literature concerning self-identity [27] reveals that an avatar can be viewed as a unique way of representing one’s self-identity and desire for self-disclosure. In text-based communications, users can express their identity using their ID, nickname, and profile. Avatars add a visual dimension in a SNC. With a digital identity, members can control the degree to which they disclose their physical identity to other members. Furthermore, this fascination may encourage SNC members, who are accustomed to free services, to be willing to pay for avatars.

2.2. Customer value theory

Marketing and e-commerce literature considers “customer value” to be an important predictor of customer buying behavior (purchase decision) [e.g., 1,6,9,21,27]. Consumer choice is a function of multiple value dimensions that make different contributions in different choice situations. These dimensions are comprehensive, encompass a variety of fields, and form a solid foundation for the extension of existing value constructs. Therefore, they were employed as a basis in other studies [e.g., 18,23].

The value frameworks discussed by Sweeney et al. incorporated three pertinent dimensions of customer consumption value: functional, emotional, and social. In these studies, functional, emotional, and social values were shown to exert significant influence on consumer behavior in their specific contexts. Previous research [e.g., 13] has also incorporated the functional and social aspects of a SNC into our understanding of SNC success (in terms of SNC usage instead of commercial transactions).

Fig. 1 shows our value framework based on work by Sheth et al. Functional value is the perceived utility of a digital item based on the

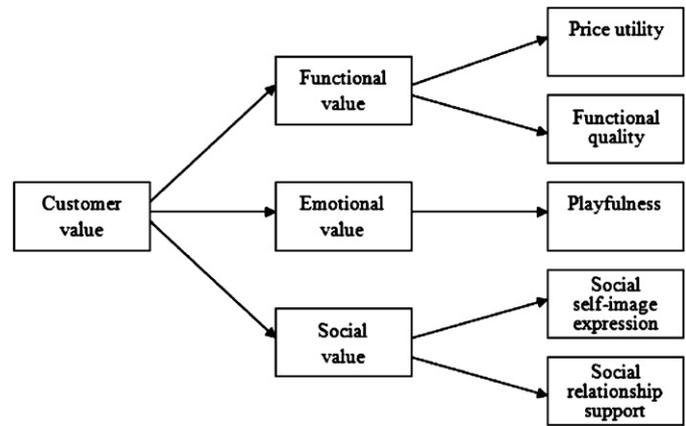


Fig. 1. Value framework.

item’s capacity for functional, utilitarian, or physical performance. A product’s functional value may be derived from its characteristics or attributes, including reliability, durability, and price, and is measured through a profile of choice attributes. Traditionally, functional value is presumed to be the principal driver of consumer choice. This assumption is predicated on Stigler’s economic utility theory and is popularly expressed in terms of the rational economic man. It can be measured in either monetary or functional terms. Mathwick et al. [15] explained this via the key roles of service excellence (functional quality) and customer ROI (price utility) in customer decision making. We used two factors: price utility and functional quality.

Emotional value (hedonic or experiential value) is the perceived utility of a digital item based on the item’s capacity to arouse feelings or affective states. The emotional value of a product is derived from specific feelings that a customer associates with it. Hedonic consumption involves multi-sensory, fantasy, and emotive aspects of an individual’s experience with the products. The emotional value of a digital item depends principally on how it looks and the extent to which SNC members relate to it and employ it in their communication with other SNC members [7]. We identified aesthetics and playfulness as the two factors that defined emotional value.

Social value is the perceived utility of a digital item based on the item’s ability to enhance one’s social well-being. The consumption of a digital item represents a social act in which symbolic meanings, social codes, relationships, consumer identity, and ego may be produced and reproduced. The motives for buying and consuming products depend on the manner in which a customer views him- or herself or wishes to be viewed by others. Apart from their functional utility, products have symbolic or conspicuous consumption values. Digital items can help to enhance one’s self-image among SNC members. The types of digital items one utilizes also help to define the adopter’s social circle. For social value, we therefore identified two factors: self-image expression and relationship support.

3. Research model and hypotheses

The research model based on the value framework; is shown in Fig. 2. Literature commonly associates quality and price with the functional dimension of customer value. Price utility is an aspect of functional value that contributes positively to total customer value. The price utility of a digital item is derived from the perceived efficient use of money. According to transaction utility theory, the more favorable is the price of a product to customers, the greater will be its perceived price utility. This is because customers perceive the more efficient use of their money as a valuable transaction: the greater the price utility to the customer, the higher the customer’s purchase intention.

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