



# Antecedents of consumers' intention to revisit an online group-buying website: A transaction cost perspective



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## ABSTRACT

Consumers' revisit is essential for online group-buying (OGB) websites to enhance financial and non-financial outcomes. From the perspective of *transaction cost economics (TCE)*, this study identifies three context-specific TCE factors, i.e., *unpredictability, trust, and personalization specificity*, that can directly affect consumer revisit intention. Moreover, the proposed direct effects are arguably contingent upon the *type of consumers (from direct versus indirect visiting channels)*. Our research model is empirically validated via an online survey. The results support the hypotheses that unpredictability and trust significantly influence consumers' revisit intentions. In addition, the results indicate that the visiting channel moderates the effects of the transaction cost factors. Specifically, unpredictability has stronger negative effects on revisit intention for indirect visitors, while the positive effects of personalization and trust are stronger for direct visitors.

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## 1. Introduction

Online group-buying (OGB) is a business model that aggregates the buyers' power, allowing them to obtain lower prices [40]. Originated by Mercata.com and Accompany.com in 1999, OGB has experienced rapid growth and evolved into a huge e-commerce market. For example, according to the 2013 IBISWorld report [33], the OGB market generated approximately \$2.9 billion in revenue in America in 2012. In China, according to the China Online Group-buying Data Monitoring Report, the sales volume of OGB in China peaked at approximately \$3.3 billion in 2012 [9,10]. However, due to intense competition in the past two years, many OGB practitioners have encountered a decline in customer traffic, and many firms have exited this market.<sup>1</sup>

On traditional e-commerce websites, vendors provide a wide range of products, and consumers accordingly have many choices

for the products they would like to purchase. Considering the intense competition over the past two decades, traditional e-commerce websites have needed to ensure a relatively steady customer flow to survive. Furthermore, because most customers have accumulated experience in interacting with a number of specific websites, they often choose to revisit and purchase products from specific websites. However, in contrast to traditional e-commerce websites, OGB websites provide a very limited range of products, which are often only available on the website for a relatively brief interval, and therefore these products cater to the needs of relatively fewer customers. Typically, a customer is only able to obtain his or her optimal choice and make a purchase after repeatedly revisiting an OGB website. As a new and growing form of e-commerce, OGB websites remain relatively unknown to many potential customers, while the market is intensively competitive (e.g., hundreds of OGB websites compete in the Chinese market [9]). In other words, a customer faces numerous potential choices in OGB, and revisits by customers are now thus the primary predictor of potential purchases. To this end, the question of how to encourage customers to repeatedly revisit a specific OGB website has become a critical concern for both practitioners and scholars.

Despite the significance of customer revisits, the literature has devoted little attention to this critical phenomenon, and research

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<sup>1</sup> In China, for instance, only 943 of more than 5000 OGB websites remained active by June 2013 [10]. Moreover, the IBIS World report indicates that Groupon and LivingSocial dominated the U.S. group-buying market, accounting for more than 75% of the market share among 600 OGB sites [33].

gaps remain to be fulfilled. First, a major stream of research on revisits concerns customer satisfaction and emotions in the marketing and tourism literature [6,31,37,43]. Although antecedents such as satisfaction and attitude may also be influential in the OGB context, they are too general, and we have little knowledge regarding context-specific antecedents that can provide us with more closely scrutinized theoretical and practical meanings. Second, prior IS literature has primarily drawn upon classic IS theories (e.g., TAM and flow theory) to identify the antecedents of consumer adoption of OGB [24,54,76,85,91] while the transactional nature of OGB has not been theoretically considered. In other words, as OGB involves buyer–seller transactional dyads, it is necessary to identify some transactional antecedents to assist OGB practitioners in further developing their businesses. Third, in this newly emergent market, consumers are able to visit a given OGB website through various channels. However, we have little knowledge on whether these alternative channels have particular effects on consumers' revisit behavior.

Drawing upon transaction cost economics (TCE) [21,22,53], we operationalized customers' perceptions of unpredictability to represent uncertainty, while personalization specificity and trust specificity were employed to represent asset specificity. We propose that these antecedents can directly affect customers' revisit intentions. Further, based on TCE, we argue that customer type (i.e., direct visit customers versus indirect visit customers) can moderate the relationships between the proposed TCE factors (i.e., unpredictability of the product offering, personalization specificity and trust) and customers' revisit intentions. To test the proposed research hypotheses, we conducted an online survey, and the results support most of the proposed hypotheses.

This paper has the potential to contribute to the literature in several ways. First, the major contribution of this paper is to extend TCE to the research field of customer revisits. In a well-known information systems (IS) study, Liang and Huang [53] adapted TCE to study customer behavior in e-commerce, and we extend their research framework by investigating consumers' revisit behavior. In general, our research contributes to the generalizability of TCE and provides an insightful lens for future research on customer revisits. Second, this study particularly contributes to the OGB customer revisit literature by investigating the effects of a critical yet substantially neglected factor, i.e., of alternative visiting channels (which are conceptualized as customer types in this study). Our study further extends Liang and Huang [53] by justifying that the relationships in their research framework are not static but contingent upon customer type, i.e., customers from different visiting channels. Third, to the best of our knowledge, this is the first study attempting to investigate context-specific antecedents of customers' intention to revisit OGB websites, thereby expanding our understanding of our phenomenon of interest.

## 2. Literature review

### 2.1. OGB and OGB revisit

In general, OGB is a business model that aggregates buyers' power such that buyers are able to access wholesale prices [40] and differs from traditional e-commerce in numerous respects (see Table 1). First, compared with traditional e-commerce, OGB often provides customers with low relevant and a limited range of product types that attract relatively low customer interest for a relatively brief period of time [10,17,55,87]. Second, in contrast to traditional e-commerce websites, which primarily offer retail products [35], OGB websites typically adopt the discount business model [2,12,35,40] and provide buyers with greater bargaining power [35,40,50] such that they can purchase the products they desire at lower prices [2,12,35,40]. Third, traditional e-commerce does not limit the transaction volume at a certain price, while an OGB transaction only occurs when the number of purchases is greater than the threshold set by the seller [39,56,95]. Moreover, while most online consumers are familiar with traditional e-commerce and often visit the target websites directly, many consumers are not particularly familiar with OGB, and they often turn to navigational portals to visit an OGB website [10,17].

Following prior research [31,58,59], this study defines consumer revisit intention as customers' perception of the likelihood that they will revisit the target OGB website in the future. Although previous studies have attempted to investigate consumer revisit behavior, most of them have focused on general factors such as consumer satisfaction and emotions [6,31,37,43,72] and thus are unable to provide context-specific implications regarding consumer revisiting in the OGB context. Moreover, prior IS literature has relied upon traditional theories such as TAM, flow theory, and social exchange theory to identify the antecedents of OGB adoption [13,24,54,76,85,91]. However, the transactional nature of OGB, which is an important perspective to understanding the buyer–seller relationships, has not been fully explored. Thus, we attempt to scrutinize the transactional characteristics of OGB websites to gain insights into more context-specific antecedents (i.e., considering the specific features of OGB websites) and thereby obtain a more comprehensive understanding of the OGB context.

### 2.2. TCE in e-commerce

TCE theoretically explains why an individual engaging in a transaction chooses a particular transaction partner instead of others [15,53,80,88]. According to TCE, a buyer is an individual who would like to transact with a seller who can minimize the transaction costs [15,53]. Transaction costs primarily derive from uncertainty and specificity [21,53,89]. Specifically, while

**Table 1**  
Comparison between OGB and traditional electronic commerce.

Characteristics	OGB	Traditional e-commerce	Source
Product range	Limited types	Rich types	[10,17,55]
Product price	Relatively low	Relatively high	[2,12,35,40]
Product provision	Short time period and inconsistent provision	Long time period and relatively constant provision	[10,17,87]
Product relevancy	Low relevancy among products, often of unrelated types and from providers in different locations	High relevancy among products, often providing certain type(s) of products	[10,17,87]
Target consumers	Consumers who prefer certain products or services at a much lower price	Unlimited	[35,38,40,85]
Consumers' bargaining power	High	Low	[35,40,50]
Business model	Group-purchase for discounts	Retail	[2,12,35,40]
Visit channels	Navigation portals and direct visiting	Primarily direct visits	[10,17]

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