GLOBAL JOURNAL OF COMMERCE & MANAGEMENT PERSPECTIVE
(Published By: Global Institute for Research & Education)

www.gifre.org

THE IMPACTS OF SOCIAL MEDIA MARKETING, PERCEIVED RISKS AND DOMAIN SPECIFIC INNOVATIVENESS ON ONLINE CONSUMER BEHAVIOR

Ng Hoong Fong* & ** Rashad Yazdanifard

*SNHU Department, Help College of Arts and Technology, Fraser Business Park, Kuala Lumpur.
**Help College of Arts and Technology, Fraser Business Park, Kuala Lumpur.

Abstract

The marketing industry has found itself constantly evolving and transforming in the past two decades. Globalization and advanced technology developments have made a very big impact on the marketing landscape. One of the major reasons for this process is the drastic increased growth of the internet and social media. The concept of social media has existed since the days of cave paintings but the internet has made things possible on a whole new scale. In this era, social media is one of the best opportunities available for a brand to connect with its customers. Social media is hot and it is the trend. Globally, customers that are buying the items that they wanted via virtual media had increased drastically. Social media allows customers and prospects to communicate directly to your brand representative or about your brand with their friends. However, the obvious question is: who are the people interacting online and how engaged are they in online activities? Besides the impact of social media marketing, this paper also looks at the perceived risks and domain specific innovativeness on online consumer behavior.

Keywords: social media marketing, perceived risks, domain specific innovativeness.

1. Introduction

Internet is now one of the most important channels of distribution right after high street retailing ever since its commercial launching about fifteen years ago and it is one of the major sources of empowerment and also customer information (Constantinides, Romer and Boria, 2008). The recent developments of internet, information technology and some other Web services had created a bigger area of opportunities in businesses especially related to marketing. The Internet has changed our lives forever allowing us to communicate in ways unimaginable only a few years ago (Leary, 2008). According to Borges (2009) it is said that commercial internet started to have a huge boom in about mid-1990s to 2001 and it is highly related to the people's ability to absorb online information and having the choice to buy products online via ecommerce. In this era of globalization marketing is slowly embracing social media. Social media had given customers the chance to have "more control of the information and power over the market process, posing retailers with a number of important dilemmas and challenges" according to Constantinides et al. (2008). We often turn to the Internet for encouragement, entertainment, knowledge and advice. Advice based on what to buy, where to buy it and who to buy it from (Leary, 2008). According to Divol, Edelman and Sarrazin (2012) it is stated that thirty nine percent of companies that they have surveyed have already started using social media as their first choice of digital tool to reach out to their customers. Besides that, E-commerce has become an irreplaceable marketing channel in business transactions. Online stores and services are important sales channels in B2C transactions. Studying online shopping behavior of consumers has been one of the most important research agendas in e-commerce during the past decade (Chen, 2009). Online shopping behavior (also called online buying behavior and Internet shopping/buying behavior) refers to the process of purchasing products or services via the Internet (Mohammad, Hossein, Motjaba, Amir & Ahmad, 2012). With this research, insights on social media marketing, perceived risks and domain specific innovativeness on online consumer behavior are provided which are interesting for both academics and online marketing practitioners.

2. Overview of social media

What is social media? The term "social media" is made up of two words that have its own meaning. In general, the word "media" means to have advertising and communication of information and ideas with channels and publications while the word "social" implies to the interaction between a group of people or a community (Sisira,2011). According to Sisira (2011) any kind of website that allows its users to have the authority to share the content, views, personal opinion and encourages interaction can be considered and classified as social media. The worldwide users of social media are over 1.5 billion. Social media is now an evolving wave in marketing. Examples of famous social media sites are Youtube, Twitter, Facebook, Blogger and Scribd. There is also Flickr and Snapfish which emerged as support storage, to share digital photos and an organization (Stefanone, Lackaff & Rosen, 2010). Boyd and Ellison (2007) illustrate a better definition of social network site is that it serves as a web-based service which allow people to build a profile within a system whether it is public or semi-public and to connect with a list of people which they have connection to like their family and friends. Social networking had given us a chance to interact with far more people in numbers comparing to our ancestors (Dunbar, 2012). Social network like Facebook and Twitter has the advantage to able to get and win the heart of its customers because social media can connect to them at a very deep level. Now, it seems like a new social network launches every week. To add on to all these famous networks, location-based social networking such as Foursquare and Facebook Places are on the rise (Kidwai & Imperator, 2011).

Out of hundreds of social networking site in this era, Facebook is undeniably the world's largest social network. Facebook initially started in February 2004 and it is originally meant to be a social networking site only for Harvard University students (Brothers, Dewland, Hahn & Martin, 2011). Somini (2011) states that Facebook has already reached 800 million users worldwide as of as of September 23, 2011 and the users of Facebook press the like button or comment more than two billion times each day. Besides that, they upload a shocking 250 million photos each day too.

Twitter is the second leading social networking site after Facebook. Wasserman (2012) said that twitter has already reached 140 million users as of March 22, 2012. According to Anderson (2011) Twitter is actually a place where its users talk about their daily doings, have a gallery to expose photography and as a platform for famous celebrities to be sure that they are part of their fan's lives. Twitter is often described as a micro-blog where individuals publish short and personal message about themselves (Brothers et al., 2011). Before the digital revolution, gathering a large amount of crowd is unthinkable but with Twitter, it is now possible (Dunbar, 2012).

3. Online shopping and online consumer behavior

Turley and Milliman (2000) stated that shopping environments affect consumer shopping behavior, as they derive usefulness from searching for products in different types of environments. Haubl and Trifts (2000) defined online consumer behavior ''as a shopping activity performed by a consumer via computer-based interface, which the customer's computer is connected to, and can interact with, the retailer's storefront.'' Online shopping behavior is based upon the overview look of Web sites, quality of images, pictures and video clips, not on actual product experiences (Park and Kim 2003). Research has examined the role of different factors on individuals' e-commerce adoption, such as geography and store accessibility, perceived risk and online shopping benefits, typology of online stores, enjoyment and trust in Web sites, gender differences in online shopping, attitudes toward online shopping, and impact of consumers' socio-economic conditions (Farag, Rietbergen, Dijst & Oort, 2006). Increased Internet penetration has affected consumers' preferences for using it for browsing and surfing and searching for new product information (Soopramanien and Robertson 2007). Consumer shopping behavior in online interfaces differs from the traditional retail environment. The online shopping environments motivate consumers to look for products that enhance the hedonic as well as utilitarian aspects of shopping (Menon and Kahn, 2002). To encourage consumers to shop online entails retail Web sites combining utilitarian and hedonic values. Online retailing presents shoppers with an interactive environment that combines both hedonic and utilitarian shopping motives (Bauer, Falk & Hammerschmidt, 2006). Liu, He, Gao and Xie (2008), in their research on Chinese consumers' online shopping behavior, suggested factors like information quality, Web site design, merchandise attributes, transaction capability, security=privacy, payment, delivery, and customer service as predictors to online shopping. The reasons for using the Internet for shopping are triggered by diverse attitudes and motivations. Consumers seek value, temporal benefits, flexibility, and possibility of exploring products in online environments (Sorce, Perotti & Widrick, 2005). Consumers search for convenience in online transactions as it gives them flexibility to browse Web sites at their leisure (Alreck and Settle 2002).

4. Impacts of social media marketing, perceived risks and domain specific innovativeness on online consumer behavior

The use of social media occasionally begins in public communication and marketing department or other department that have direct connection with stakeholders and customers whether it is in business or non-profit organizations (Evans & McKee, 2010). There has been a dynamic change in the marketing industry in this 21st century all because of the rapid growth of the web and social media. Generation Y are putting way greater emphasis on networking by using social media because they approaches work in a different way from their progenitor (Karen, 2009). If you are a marketer or building a brand, do not be worries that your company has missed the boat on taking advantage of social media because the majority of social media programs are actually fighting with each other too (Taylor, 2011). According to Burby, Atchison and Sterne (2007) social media allows super fast and easy communication with billions of customers in a short amount of time and have certainly raised the speed where company and its brand can be created, have more exposure and grow. Social media has an enormous potential and capability for companies to engage with customer, thus increasing revenue and efficiency of the company (Baird & Parasnis, 2011).The change in this industry does not depend on the size or a big idea of the company it is now nevertheless more focused on customer demand. The information about weaknesses, the good or bad and how can the product have further improvement can be analyzed within a week now compared to older days where much more time is needed to do so (Yazdanifard, Obeidy, Yusoff & Babaei, 2011).

Decision makers are trying to find ways to enable firms to earn profit by making use famous applications such as Facebook, Twitter, Youtube and Wikipedia (Kaplan & Haenlein, 2010). Social media users have the opportunity to offer feedback and feel more involved with a brand when the profile's status is update with positive information and challenges. It enables organizations to increase customer loyalty while at the same time getting feedback from customers and discovering what changes they want (Friedman & Friedman, 2008). According to an eMarketer study in 2008, nearly six out of ten United States users now communicate with businesses and believe that the businesses must "interact with their consumers" and "deepen the brand relationship" via social networking website (Abedniya & Mahmouei, 2010). According to Gilbert (2010) social media cost may be low but there is a need to invest time and energy in it to be successful. For example, if a retailers want to start a blog or Facebook page, they need to update it regularly or no one will return to see the content (Gilbert, 2010). Simply creating a presence on a popular platform like Facebook or Twitter does not guarantee that customers will be attracted to a firm's page and engage with the firm and other customers (Culnan, Mc Hugh, Zubillaga, 2010). This is also because the uses of social media by customers are voluntary and interactions among members need time, organizations need to take great steps in order to build communities and learn from the interactions (Culnan et al., 2010).
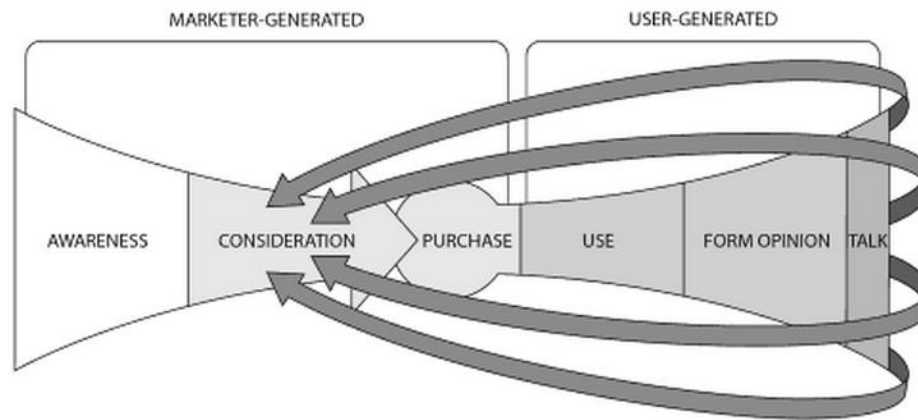
Figure 1: The Social Feedback Cycle (Burby, Atchison & Sterne, 2007)

As we can see in Figure 1, it is the social feedback cycle. The word of mouth is important as we can see in the figure. According to Brown, Broderick and Lee (2007) a big part of online customer interaction is word of mouth communication and it influences on a person's evaluation and will to purchase a product. With social media, marketers can get data from their customer's opinion or talk and use it as a consideration to enhance their product. As marketers, brand and business are very important and activity that they do need to have a return on investment, whether it is by increased sales, market share or brand recognition and social media that changed the way people interact with one another have a significant help for marketing (Drury, 2008). These are the impacts that will make a significant increase in the online buying behavior of customers. In particular, peer communication through social media, a new form of consumer socialization, has profound impacts on consumer decision making and thus marketing strategies. Social media, especially social networking sites, provide a virtual space for people to communicate through the Internet, which also might be an important agent of consumer socialization (Simona, Iuliana, Luigi & Mihai, 2013).

Next, we will talk about the impacts of perceived risks on online consumer behavior. Perceived risk refers to the nature and amount of risk perceived by a consumer in contemplating a particular purchase decision. Before purchasing a product, a consumer considers the various risks associated with the purchase. The different types of risks are referred to as perceived or anticipated risks (Muhammad et al, 2012). The higher the perceived experience risk, the consumer may shift to brick-and-mortar retailer for the purchase of the product. Whereas, the lower the perceived risk, the higher the propensity for online shopping (Tan, 1999). Risks perceived or real, exist due mostly to technology failure or human error. The most frequently cited risk associated with online shopping includes financial risk, product risk, convenience and non delivery risk. Questions on financial risk are such as "is my credit card information safe?" while for product risk "is the product the same quality as viewed on the screen? Besides, convenience risk question would be "will I understand how to order and return the merchandise? Lastly, non delivery risk "what if the product is not delivered? (Muhammad et al, 2012).

Then, we talk about domain specific innovativeness. According to Muhammad et al, 2012 Domain Specific Innovativeness (DSI) is "the degree to which an individual is relatively earlier in adopting an innovation than other members of his system". For the most part, people like continuity in their daily lives, including in their shopping routine. While the Internet and online shopping offers consumers a wide breadth and depth of products offerings, it also requires them to go outside their normal shopping routine (Muhammad et al, 2012). Online shoppers need to learn new technology skills in order to search, evaluate and acquire products. Consumers who prefer brick-and mortar shopping over other retail channels do not perceive the online shopping as a convenience (Kaufman-Scarborough and Lindquist, 2002). Research has revealed that online shopping innovativeness is a function of attitude towards the online environment and individual personal characteristics. Innovative consumers are more inclined to try new activities (Robinson, Marshall & Stamps, 2004). Adoption of online shopping is depiction of individual's innovative characteristics. Adopting a new technology is a function of one's attitude towards it. It is expected that person's domain specific innovativeness has more tendency to shop online (Muhammad et al, 2012).

5. Discussion

As conducted and explained earlier, the purpose of this study is to explore the impacts of social media marketing, perceived risks and domain specific innovativeness on online consumer behavior. The world of marketing is changing rapidly as time pass. Trends and major development in social media is one of the causes for the rapid change in marketing industry. This paper shows an overview on social media from Facebook, the world's largest social networking site to Twitter, Foursquare, Youtube and so forth. Then, it can be observe that major networking sites really helps a lot in the marketing industry. Social media allows company to communicate with a wide amount of customers much faster and efficiently. Marketers will also know how to further develop their product as they can get data about customer's opinions, preferences and talk through the word of mouth about their product in a short amount of time.

Later it is discussed on online shopping and online consumer behavior. From there, we know that compared to physical stores, online stores have many advantages. They are convenient and time saving and no more traveling and waiting in lines is needed. They are open in all time and they are accessible anytime and anywhere. These stores provide consumers with free and rich information about products and services too. Today online consumers have more control and bargaining power than consumers of physical stores because the Internet offers more interactivities between

consumers and product or service providers as well as a greater availability about products and services. Online stores reduce transaction costs and have advantage for both consumers and vendors. However, online stores also have disadvantages compare to brick-and-mortar stores. In online stores customers cannot have any sense about the product they see in the internet as they search for and purchase products. In online stores, consumers may develop low trust and perceive elevated risk highly because of the lack of face-to-face communication. Then, perceived risk and domain specific innovativeness is also mentioned in a more detailed way. It is said that the higher the perceived experience risk, the consumer may shift to brick-and-mortar retailer for the purchase of the product. Whereas, the lower the perceived risk, the higher the propensity for online shopping. As for domain specific innovativeness, consumer adaptation to innovativeness can change the online consumer behavior.

6. Conclusion

There is no way to escape social media these days whether it is for individuals or business companies. It is almost impossible to draw a line separating online world from social media and consumer behavior. There are many reasons that social media rapidly gain usage in this era of globalization. The ability to achieve news and information through social media is one of the reasons. Companies are changing and rethinking about their traditional marketing strategies. This shows that social media marketing has an impact on online consumer behavior too. Social network is free and is available for everyone to access and it is generating a mass amount of data which is a big help to marketers. This is the time where every business takes social media seriously and adopts it in their departments. It is because understanding social media marketing, perceived risks and domain specific innovativeness really helps determining online consumer behavior and it would help the company to achieve what they want. Different retail brands will have different needs and they have to adopt different approaches with different customers. It is very interesting to see how the marketing world and online consumer behavior will be affected by Facebook and Twitter in the upcoming years.

References

[1] Abedniya, A., & Mahmouei, S.S. (2010). The Impact of Social Networking Websites to Facilitate the Effectiveness of Viral Marketing. International Journal of Advanced Computer Science and Applications, 1(6), 139-146.
[2] Alrect, P. and Settle, R. (2002). The hurried consumer: Time-saving perceptions of Internet and catalogue shopping. Journal of Database Marketing. 10(1), 25-35.
[3] Anderson, S. (2001). The twitter toolbox for educators. Teacher Librarian. 39(1), 27-30.
[4] Baird, C. H. & Parasnis, G. (2011). From social media to social customer relationship management. Strategy & Leadership 39 (5). 30-37.
[5] Bauer, H.H., Falk, T., & Hammerschmidt, M. (2006). E-TransQual: A transaction process-based approach for capturing   service quality in online shopping. Journal of Business Research. 59 (7), 866-875).
[6] Borges, B. (2009). Marketing 2.0: Bridging the gap between seller and buyer through social media marketing. Arizona. Wheatmark Inc.
[7] Boyd, D.M. & Ellison, N.B. (2007) Social network sites: definition,history, and scholarship. Journal of Computer-Mediated Communication. 13(1), 210-230.
[8] Brothers, P. ; Dewland, J.C. ; Hahn, E. & Martin, J. (2011). The business of social media: How to plunder the treasure   trove. Reference & User Services Quarterly. 51(2), 37-42.
[9] Brown, J. ; Broderick, A.J. & Lee.N. (2007). Word of mouth communication within online communities: Conceptualizing the online social network. Journal of Interactive Marketing. 21(3), 2-20.
[10] Burby,J. ; Atchison,S. & Sterne, J. (2007). The Changing Landscape of Marketing Online-Actionable Web Analytics. Indiana. Wiley Publishing Inc.
[11] Chen, L. (2009). Online consumer behavior: An empirical study based on theory of planned behavior. Doctoral dissertation, University of Nebraska.
[12] Constantinides, E. ; Romer, C. L. & Boria, M. A. G. (2008). Social media: a new frontier for retailers? European Retail Research, 22,1-28.
[13] Culnan, M. ; Mc Hugh, P. & Zubillaga, J. (2010). *How Large U.S. Companies Can Use Twitter and Other   Social   Media   to Gain Business* Value. MIS Quarterly Executive. 9(4). 243-259.
[14] Divol, R. ; Edelman, D. & Sarrazin, H. (2012) Demystifying social media. McKinsey Quarterly 2(12), 66-77.
[15] Drury, G. (2008). Opinion piece: Social media: Should marketers engage and how can it be done effectively.   Journal   of Direct, Data and Digital Marketing Practice. 9, 274-277.
[16] Dunbar, R. (2012). Social networks. New Scientist. 214(2859), 8.
[17] Evans, D. & McKee, J. (2010). Social media marketing: The next generation of business engagement. Indiana. Wiley Publishing,Inc.
[18] Farag, S. J. W., Rietbergen, T.V., Dijst, M., & Oort, F.V. (2006). E-shopping in the Netherlands: Does geography   matter? Environment and Planning Business: Planning and Design. 33, 59-74.
[19] Friedman, L.W., & Friedman, H.H. (2008) The New Media Technologies: Overview and Research Framework. 9-15.
[20] Gilbert, B. (2010). Get on board with social media. Retrieved from, http://web.ebscohost.com/ehost/detail
[21] Haubl, G. & Trifts, V. (2000). Consumer decision making in online shopping environments: The effects of   interactive   decision aids. Special issue, Marketing Science. 19(1), 4-21.
[22] Karen, A. (2009). Social Media. Journal of Property Management. 74 (5). 44-47.
[23] Kaplan, A.M. & Haenlein, M. (2010). Users of the world, unite! The challenges and opportunities of social   media.Business Horizons. 53(1), 59-68.
[24] Kaufman-Scarborough, C. & Lindquist, J.D. (2002). E-shopping in a multiple channel environment. Journal of Consumer Marketing. 19(4), 333-350.
[25] Kidwai, S. & Imperatore, C. (2011). Social media as an advocacy tool. Techniques: Connecting Education and Careers. 86(6), 36-39.
[26] Leary, B. (2008). Social CRM: Customer Relationship Management in the Age of the Socially-Empowered Customer. CRM Essentials LCC. 1(1). 1-9.

[27] Liu, X., He, M., Gao, F., & Xie, P., (2008). An empirical study of online shopping customer satisfaction in China: A holistic perspective. International Journal of Retail and Distribution Management. 36(11), 919-   940.

[28] Menon,S., & Kahn, B.E. (2002). Cross-category effects of induced arousal and pleasure on the Internet shopping   experience. Journal of Retailing. 78(1), 31-40.

[29] Mohammad, H. ; Hossein, R. ; Mojtaba, N. ; Amir, P. ; & Ahmad, R. (2012). An analysis of factors affecting on online shopping behavior of consumers. International Journal of Marketing Studies. 4(5), 81-98,

[30] Park, C.H., & Kim, Y.G. (2003). Identifying key factors affecting consumer purchase behavior in online shopping context. International Journal of Retail and Distribution Management. 31(1), 16-29.

[31] Simona, V., Iuliana, C., Luigi, D., & Mihai, T. (2013). The effects of social media marketing on online consumer   behavior. International Journal of Business and Management. 8(14), 66-79.

[32] Sisira, N. (2011). Social media and its role in marketing. International Journal of Enterprise Computing and Business   Systems. 1(2), 1-15.

[33] Somini, S. (2011). Zuckerberg's unspoken law: Sharing and more sharing. New York Times, September 23,   2011.

[34] Soopramanien, D.G.R., & Robertson, A. (2007). Adoption and usage of online shopping: An empirical analysis   of   the characteristics of "buyers" "browsers" and "non-Internet shoppers". Journal of Retailing and Consumer Services. 14, 73-82.

[35] Sorce, P., Perotti, V. & Widrick, S. (2005). Attitude and age differences in online buying. International Journal of Retail and Distribution Management. 33(20), 122-132.

[36] Stefanone, M.A. ; Lackaff, D. & Rosen, D. (2010). The relationship between traditional mass media and   "social   media": Reality television as a model for social network site behavior. Journal of Broadcasting and Electronic Media. 54(3), 508-525.

 [37] Tan, S.J. (1999). Strategies for reducing consumer's risk aversion in Internet shopping. Journal of Consumer Marketing. 16(20, 163-178.

[38] Taylor, D. (2011). Don't worry, your brand hasn't missed the boat on social media. Central Penn Business Journal. 27(45). 29-29.

[39] Turley, L.W., & Milliman, R.E. (2000). Atmospheric effects on shopping behavior: A review of the experimental evidence. Journal of Business Research. 49(2), 193-211.

[40] Wasserman, T. (2012). Twitter says it has 140 million users. Mashable Inc. March 22, 2012.
     http://mashable.com/2012/03/21/twitter-has-140-million-users/

[41] Yazdanifard, R. ; Obeidy, W.K. ; Yusoff, W.F.W. & Babaei, H.R. (2011). Social networks and microblogging; The emerging marketing trends & tools of the twenty-first century. 2011 International Conference on Computer Communication and Management. 5, 577- 581.