

Effect of Social Networks on Consumer Behaviour: Complex Buying

Jonida Xhema*

**University for Business and Technology, Pristina, 10000
Kosovo (Tel: 383-45-555-700; e-mail: jonida.xhema@ubt-uni.net).*

Abstract: Considering that day-by-day consumers have become part of not only the buying process, but also the design and distribution, it has become a challenge to develop products/services that meet differentiated consumer demands. Usage of Social Networks has redefined lifestyle and culture, and firms are finding it difficult to understand their customers. The interactive nature of social networks has established a two-way communication among individuals and firms. The main objective of this study is to understand the effect of Social Networks (Digital Marketing) on Customer Behavior, meanwhile analyzing customer loyalty, tolerance and experimenting in complex buying. This research suggests that companies should focus on customer engagement and online presence in order to serve customers and satisfy their needs. The study has been conducted by collecting primary data through questionnaires. Statistical analysis, correlation and regression, with SPSS Statistics were used during the research.

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Keywords: Social Networks, Customer Behavior, Customer Loyalty, Digital Marketing, Customer Tolerance.

1. INTRODUCTION

This research is focused on understanding the effect that social networks have on customer behaviour. Given the latest trends where internet tends to be the initial and primary source of information, companies constantly focus on improving their presence online. Social networking is the evolution of marketing from the traditional concept to relationship marketing. Understanding how social network affect customers research and final decision to buy is of great importance for companies in order to create competitive advantage.

Understanding how social networks affect customer behaviour, especially loyalty, tolerance and experimenting, is crucial for companies because through social networks' analytics, marketers could monitor pre and post purchase satisfaction of customers. These satisfied customers are more likely to repeat their purchases and share their positive thoughts with others.

This study has three hypotheses:

H1: Social Networks negatively affect customer loyalty.

H2: Social Networks negatively affect customer tolerance.

H3: Social networks positively affect customer experimenting.

2. LITERATURE REVIEW

2.1 Social Networks

Internet-based messages are the trend of 21st century. These messages have started to influence different aspects of consumer behaviour, such as information acquisition, opinions, purchase behaviour and evaluation (Ionas, 2014). Electronic commerce is constantly expanding and the understanding of e-consumer behaviour is of great interest for companies. In order to increase their profitability, companies now need to focus on enhancing their understanding of their customers (Karimi, 2015).

As Grant (2007) mentioned, traditional distribution channels have suffered as consumers now use online purchasing due to easier access to product/service information. According to Arakji (2007) this technology has enabled valuable forms that increase the collaboration of customer in the development process. Now customers do not only maximize their utility by buying products, but also participating in the design or distribution process.

Social networks offer a range of online forums that include blogs, discussions, chat rooms and ratings of products/services, allowing customers to easily deliver their opinions and reviews (Mangold, 2009). Companies constantly operate with customer-centric approach and try to increase consumer engagement by engaging with them. As Sashi (2012) mentioned, social networks, now, provide the opportunity to use rich media with greater reach and connect with other customers. Interactions between customers have

changed the traditional role of seller and customer, now customers add value by becoming advocates of products. Marketing nowadays is more focused toward relationships and interactivity (Moustakas, 2015).

Riegner (2007) explained that everyday customers are increasing their role in the commercial marketplace, while using internet as a tool for interpersonal communication and commercial implications. Alsubagh (2015) explained that internet is part of the everyday lives of world population affecting a new form of communication through social networking sites. Internet offers opportunities for receiving pre and post-purchase information. Its main advantage is the amount of information available and freedom from physical contact (Jepsen, 2007). According to Hajli (2014), availability of internet has provided individuals with the opportunity to use social networks, such as Twitter and Facebook, to interact without the need for physical meetings. Through social networks, companies can increase brand awareness, positive word-of-mouth, sales, and generate greater support. According to Nolcheska (2017) these social media platforms have enabled a two-way flow of information that allow companies to influence the purchasing decision of targeted groups.

2.2 Customer Loyalty

Customers that have a positive attitude towards the company, except for repurchasing products/services, they will also recommend these products to others (Akbar, 2013). These recommendations on social networks are known as online reviews – and according to Voramontri (2018) they have a great impact on purchase behaviour by consumers.

Key directions for businesses, in order to succeed in the marketplace, are customer orientation and focus on customer relationship (Abd-El-Salam, Shawky and El-Nahas, 2013) (Verhoef, 2003).

2.3 Online Word-of-Mouth

Voramontri (2018) showed that revolutions in the social media have directed customers toward new ways of obtaining information regarding products/services. Social networks enable customers to connect and constantly discuss brands with other people. They also enable customers to do different activities, such as blogging, chatting or interacting with other people. Customers now easily express their thoughts, opinions and perceptions with others (Alsubagh, 2015).

According to Dellarocas (2002) Digital Marketing has allowed individuals to make their personal thought accessible to other community of Internet users. Members of a certain community can, without any cost, submit their opinions regarding a certain product, topic or community and these online reviews have a significant effect on customers' purchase intentions (Zhang et al., 2014).

This online word-of-mouth is a form where users of internet provide their opinions and ratings for different products or services. These reviews/opinions are made available to many

people via Internet (Voramontri, 2018). According to Trusov (2009) marketers are interested in understanding online word-of-mouth because traditional communication has started to lose its effectiveness. These consumer product reviews are considered as one of the most important forms of electronic word-of-mouth (Zhou, 2013).

2.4 Social Networks and People's Behaviour

Dellarocas (2002) explained that online mechanisms can nowadays change people's behaviour in important ways. In difference to a decade ago, when people would base their decisions on advertisements or other advice from professionals, now they increasingly rely on reviews or opinions posted on online systems. According to Alsubagh (2015) customers are constantly exposed to these different advertisements that try to catch individuals' attention.

Kumar (2004-2005) explained that search tools are now used to look up pre-purchase product information, such as price, style, reviews etc. Internet tends to be the primary source of information for most customers on regular basis and social networks allow customers to evaluate products, make recommendations and make status updates. These customers can easily share their ideas, opinions and experiences while connecting with other online peers (Nolcheska, 2017).

2.5 Customer Behaviour

Jackson (2009) said that another area of modelling network interaction concerns how network impact behaviour. Also, according to Nolcheska (2017) customer's social interaction has a huge influence on purchase decision, starting from the problem recognition, searching of relevant information, evaluation of alternatives, final purchase decision, and post-purchase satisfaction.

It is very important to mention the type of purchase behaviour this study will have its focus, and Voramontri (2018) stated that customer decision-making could be defined as behaviour patterns for the acquisition of products, or services and later explained that there are different types of purchase behaviour

1. Complex Buying – there is high customer involvement, significant brand differences, expensive products and high risk.
2. Dissonance reducing – high customer involvement, few brand differences, and high risk.
3. Habitual buying – low customer involvement, little brand difference, frequent purchases.
4. Variety seeking buying – low customer involvement, significant brand differences, brand switching for variety

Voramontri (2018) continued to explain that complex buying involves higher risk, this is why gathering information has greater importance. Voramontri (2018) has explained that social networks have brought a certain culture where users interact with each other and engage while sharing

information, monitoring updates and gathering opinions. Customers are more involved in complex buying and this is the reason why they spend more time on social media, while checking the reviews before making a decision.

3. METHODOLOGY

This study examines the relationship between Social Networks and Customer Behaviour. Customer Behaviour has been divided into three main categories: customer loyalty, customer tolerance and customer's experimenting.

Customer loyalty has been identified with: switching opportunities, future purchasing, encourage others to buy company's products, buy high-end products. Customer tolerance has been measured with respect to bad service, over pricing and complaining. Customer's experimenting has been identified with trying new products and buying products without seeing them. On the other hand, the independent variable, Social Networks (Digital Marketing), is measured through statements that identify social media and search engine usage. The focus of this research has been on complex purchases, such as cars and laptops, that require more problem solving and social media plays a crucial role.

A quantitative method with statistical analysis has been conducted in order to understand the effect that Social Networks (Digital Marketing) have on Customer Behaviour. The data were collected through questionnaires distributed normally to a sample of 200 randomly selected customers of complex buying (laptops and cars). All statements in the questionnaire used a 5-point Likert scale (1 = "strongly disagree," and 5 = "strongly agree").

4. RESULTS

Statistical analysis, such as correlation and regression through SPSS Statistics, have been used in order to obtain the relationship between variables.

Correlation coefficients can be seen at table 1, where the coefficient between social network usage and customer loyalty is -0.797 and by considering p-value 0.000 (smaller than 0.05), the hypothesis stating that social networks have a negative impact on customer loyalty is acknowledged. This means that with the increase of social network usage, customers are less loyal to firms/brands.

The table below also shows that the correlation coefficient between social networks and customer tolerance is -0.818 and by considering p-value = 0.000, which is smaller than 0.05, the hypothesis stating that social network usage negatively influences customer tolerance is acknowledged. This means that higher the social network usage, the lower the customer tolerance toward brands.

According to the table 1, correlation coefficient between social network usage and customer's experimenting is 0.858 and p-value = 0.000 which is smaller than 0.05, the

hypothesis stating that variable social network usage has a positive impact on customer's experimenting is acknowledged. This means that the higher the social network usage, higher customers start experimenting with brands.

Table 1. Correlation between variables

		Usage	Loyalt y	Tolera nce	Experi mentin g
Pearson Co.	Usage	1	-0.797	-0.818	0.858
	Loyalty	-0.797	1	0.732	-0.726
	Tolerance	-0.818	0.732	1	-0.737
	Experimenting	0.858	-0.726	-0.737	1
Sig. 2- tailed	Usage	-	0.000	0.000	0.000
	Loyalty	0.000	-	0.000	0.000
	Tolerance	0.000	0.000	-	0.000
	Experimenting	0.000	0.000	0.000	-
N	Usage	200	200	200	200
	Loyalty	200	200	200	200
	Tolerance	200	200	200	200
	Experimenting	200	200	200	200

Regression is the second analysis that has been conducted within the study and results through regression analysis for customer loyalty, customer tolerance and customer experimenting are found below.

4.1 Customer Loyalty

Table 2-a Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
(Constant)	4.943	.153	
Social Network Usage	-.742	.040	-.797

a. Dependent Variable: Customer Loyalty

Table 2-b. Coefficients

Model	t	Sig.
(Constant)	40.096	.000
Social Network Usage	-9.902	.000

Table 2-a and table 2-b provide the coefficients for the linear equation and the significance figures for the variables. It can be seen that all significance figures are < 0.05. Through table 2-a we can get the regression equation, which is:

$$\text{Customer Loyalty} = -0.742(\text{Social Network Usage}) + 4.943$$

According to equation above each one standard unit increase (1 unit increase refers to 1 level shift of the opinion of the participants with respect to their agreement on the subject matter) in social network usage causes 0.742 units decrease in customer loyalty.

4.2 Customer Tolerance

Table 3-a Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
(Constant)	5.432	.161	
Social Network Usage	-.839	.042	-.818

a. Dependent Variable: Customer Tolerance

Table 3-b. Coefficients

Model	t	Sig.
(Constant)	33.809	.000
Social Network Usage	-20.004	.000

Table 3-a and table 3-b provide the coefficients for the linear equation and the significance figures for the variables. It can be seen that all significance figures are < 0.05. Through table 3-a we can get the regression equation, which is:

$$\text{Customer Tolerance} = -0.839(\text{Social Network Usage}) + 5.432$$

According to equation above each one standard unit increase (1 unit increase refers to 1 level shift of the opinion of the participants with respect to their agreement on the subject matter) in social network usage causes 0.839 units decrease in customer tolerance.

4.2 Customer Experimenting

Table 4-a Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
(Constant)	.263	.146	
Social Network Usage	.895	.038	.858

a. Dependent Variable: Customer Experimenting

Table 4-b. Coefficients

Model	t	Sig.	Collinearity Statistics	
			Tolerance	VIF
(Constant)	1.806	.072		
Social Network Usage	23.515	.000	1.000	1.000

Table 4-a and table 4-b provide the coefficients for the linear equation and the significance figures for the variables. It can be seen that all significance figures are < 0.05. Through table 4-a we can get the regression equation, which is:

$$\text{Customer experimenting} = 0.895 (\text{Social Network Usage}) + 0.263$$

According to equation above each one standard unit increase (1 unit increase refers to 1 level shift of the opinion of the participants with respect to their agreement on the subject matter) in social network usage causes 0.895 units increase in customer experimenting.

Findings of the linear regression indicate that three hypotheses are supported

5. CONCLUSIONS

5.1 Closing Remarks

Firstly, through this study it has been understood that there is a negative relation between social media usage and customer loyalty. So, customers that spend more time using social networks and search engines are less loyal to brands, meaning that they do not consider specific brands for future purchases, nor do they encourage others to buy company's products.

Secondly, this study has shown that there is a negative relation between social media usage and customer tolerance, meaning that customers that spend more time on social networks and search engines are less tolerant to bad service and over-pricing.

Thirdly, this study has shown that there is a positive relation between social media usage and customer experimenting. This means that with the increase of social media usage, customers tend to experiment more on their purchase decisions (try new products or buy products without physically seeing them).

Through statistical analysis that were conducted (through correlation and regression), three hypotheses are supported. Finally, we understand that social networks have affected the behaviour of customers and now there is a two-way communication, where customers are less tolerant towards bad service or overpricing; they do not consider themselves future buyers or high-end buyers of a company; and finally, they like to try new products without seeing them.

Results conducted through this study suggest that companies should focus on being present on social networks, visible on search engines and provide continuous online feedback. Finally, results show that companies should focus on improving their online perception through customer engagement, since it is one of the main ways that customer nowadays decide whether to buy a product or not.

5.2 Future Research

It is recommended that future studies should also consider other variables regarding customer behaviour such as, problem recognition, searching of relevant information, evaluation of alternatives, final purchase decision, and post-purchase satisfaction.

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