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Preliminary Insights into Social Commerce Capability Development

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ABSTRACT

The purpose of this paper is to explain how micro-entrepreneurs deploy, develop, and manage social media as a resource to create social commerce capabilities to achieve benefits. The paper uses a critical case sampling methodology to select a micro-entrepreneur who uses social media for advertising and retailing fashion items. Three findings emerge. First, in developing of social commerce capabilities, there is need to combine both technical and non-technical resources. Second, personal social capital is not immediately available for use in the development of social commerce capabilities especially when it is being translated for commercial purposes. Third, the level of social commerce capabilities developed is contingent on the affordances of the social media platform in use. This study uncovers the possibility of developing resources and capabilities concurrently i.e. resources do not necessarily have to be inputs as identified in the theory. This paper is arguably one of the pioneering attempts at conceptualizing social commerce capabilities.

Keywords

social commerce, dynamic capabilities, case study

INTRODUCTION

Social media is transforming business activities (Yang, Sia, Liu and Chen, 2016), and creating new ways in which organisations generate rent online. For instance, it is now possible to use Facebook to aggregate product or service reviews, recommend products based on others' purchasing history, and facilitate product purchases. Social commerce is the term that has been coined to describe this phenomenon (Chung, Song and Lee, 2017). In other words, social commerce refers to any commercial application based on the Internet which supports social interaction and user content generation through social media in order to support individuals in their purchasing decisions (Huang and Benyoucef, 2013; Wang and Zhang, 2012). Social commerce has spurred much research from various perspectives. Such research have either developed a social commerce design framework (Baghdadi, 2016), or studied user preferences of social features on social commerce websites (Huang and Benyoucef, 2015), and the factors affecting social e-commerce adoption (Mamonov and Benbunan-Fich, 2017). The conceptual papers also undertake reviews of existing social commerce research (e.g. Busalim and Hussin, 2016), and propose research frameworks (e.g. Hajli, 2013).

These foregoing studies are valuable because they are informative of why individuals are adopting social commerce and the determinants of their continuous usage. However, these studies ignore strategic issues like the development of social commerce capabilities to create customer value and generate benefits. This issue is an important research gap because social commerce is an information technology resource that needs to be developed to fit business goals. This gap is further mirrored by the existing conceptual approaches to studying social commerce. There is an abundance of approaches focusing on adoption (Hashim, 2016; Hajli, 2014; Farivar et al., 2016). These theories and conceptual approaches are inadequate to explain the issue of how to create benefits and customer value using social commerce. Therefore, in seeking to explain this issue, there is need for a more appropriate approach. This paper is a response to these observed research gap. The purpose of this paper is to explain how firms deploy, develop, and manage resources to create social commerce capabilities to achieve benefits.

LITERATURE REVIEW

Social commerce research is endowed with several studies seeking to understand or explain the phenomenon from one perspective or the other. These studies could be categorized into empirical and conceptual studies, however overall, they to cover themes like user behavior, business models, s-commerce website design, adoption strategy, social process network analysis and firm performance (Busalim & Hussin, 2016). For instance, with respect to user behavior, consumers acceptance of social commercial is largely influenced by their evaluations of trust and risk (Favrivar, Turel, & Yuan, 2017). Other factors that affect user behavior like purchase intention is perceived benefits (Gan & Wang, 2017), impulsiveness and other situational factors (e.g. scarcity and serendipity) (Chung, Song, & Lee, 2017). To positively influence consumers, social support and relationship quality have also been proposed as possible pathways (Liang, Ho, Li, & Turban, 2012). On the one hand, these studies exhibit a focus on understanding behavioral issues concerning social commerce over the years. This observation is echoed by a recent systematic review of social commerce (see Busalim & Hussin, 2016).

On the other hand, fortunately, there are some emerging studies that have attempted to understand strategic issues. For instance, there has been an investigation into the nature of social commerce trust, and how it impacts company trust and electronic word of mouth (Shi & Chow, 2015), explanation on how retailing companies use social media, local and mobile commerce in their omni-channel management strategy (Huseyonoglu, Galipoglu, & Kotzab, 2017), and an explanation of the indirect effects of social support on social commerce intentions, as mediated through the relational aspects that potential buyers develop with sellers (Lin, Li, & Yan, 2018). These recent studies are extending the social commerce boundaries, and drawing our minds to undertake studies that help explain how social commerce could be used to achieve strategic benefits. Despite such extensions, there is an unstated technologically deterministic assumption that social commerce adoption by sellers could lead to the creation of omni-channels or engender electronic word of mouth, or help them develop good relationships with buyers. We argue that the achievement of such strategic outcomes is contingent on the development of certain capabilities around social commerce which serves as an initial input resource. Unfortunately, we have not yet come across studies that conceptualizes how such *social commerce capabilities* are developed. This is not a trivial issue because these capabilities tend to be the underlying mechanisms behind how firms that *sell* through social commerce generate benefits. Therefore, the pursuit of uncovering these mechanisms lead us on the path to developing interesting theories in social commerce beyond adoption and user behavior.

THEORETICAL FOUNDATION

Dynamic capability is “the firm’s potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base” (Barreto, 2010). Here, the focus is on the mechanisms that cause changes to organizational resources in response to its environment. This focus allows the dynamic capability approach to avoid criticisms levelled at the resource-based view (Easterby-Smith, Lyles, and Peteraf, 2009). Social media as a technology resource needs to be developed by a firm to achieve competitive advantage. The development goes through several stages. At the founding stage, a firm determines why social commerce should be adopted; whether to engage with customers or to facilitate product sales. At the developing stage, when the firm agrees to adopt the technology, there is search and examination of viable alternatives to make the resource useful through rearranging existing resources, learning about the workings of the new arrangements, and making new arrangements where need be. At the maturity stage, the firm continues using social media to the extent that it becomes part of the firm’s memory and culture, and growing into a new capability – social commerce capability. This new capability may manifest differently. Thus if the capability is *informational*, then a firm has the ability to use social commerce just for communication purposes only e.g. using Facebook to provide product information. If it is *interactional*, the firm has the ability to use social commerce to respond to queries, or give instant and intelligent feedback e.g. instant chat with customers or leads. If it is *transactional*, a firm has the ability to use social commerce to allow customer transactions e.g. selling products on Facebook Marketplace.

METHODS

This is a preliminary exploratory study which used qualitative case study research to understand the development of social commerce capabilities. The scientific approach for conducting case study research was followed (see Pare, 2004, p. 237). The research question concerns how micro-entrepreneurs develop social commerce capabilities. The a priori theory selected is the dynamic capability theory (Teece et al., 1997; 2007). The unit of analysis was the individual micro-entrepreneur who develops social commerce capabilities after adopting social media for commercial activities. A single case was selected using critical case sampling strategy (Patton, 1990). The selected case – a micro-entrepreneur who uses social media for retailing fashion items – represented a revelatory case (Yin, 2003) to test the well-formulated dynamic capability theory in the context of social commerce. Semi-structured face-to-face interviews and artifact examination were used to collect primary data used

to write a case report. The data analysis involved pattern-matching in which empirical patterns in the case data was compared with that predicted by the dynamic capability theory.

PRELIMINARY CASE FINDINGS

In 2016, Adwoa Asabea launched Prietique as an affordable online clothing boutique operated on Instagram, a popular social media website. Prietique’s main aim is to sell the latest fashion trends by offering a wide range of apparel to fit any woman’s unique sense of style. Their clothing and accessories are carefully curated to provide customers with the latest fashion. To keep her customers in style, Adwoa makes daily Instagram posts on new arrivals and offer the stylist picks to help those shoppers who indecisive (see Figure 1). Aside helping her customers look the best, Prietique ensures that every purchase is a positive experience. Focusing on excellent customer service and exceptionally quick delivery service – which is free for all customers within Accra and Tema metropolis. Using delivery services that she has contracted to do so. She values feedback, which is done mainly through the comments sections on her Instagram posts. She is a national service person with the National petroleum Authority (NPA) and started the business as a spinoff from her other social media handles Prie_dee (on Instagram with 110,000 followers, Twitter – Yeah Me -110,000 followers). That helped her to quickly grow the account of Prietique first by posting on all her platforms and secondly, also to direct her huge following from Facebook, Twitter and personal instagram account to go the social Media handle of Prietique, from a few followers in August in 2017 the following on the handle has grown to over 3000 followers by end of December, 2017. An interesting feature of the page is the fact she advertises the products of other companies and takes a commission for every purchase done. This also pertains to all her other social media handles.

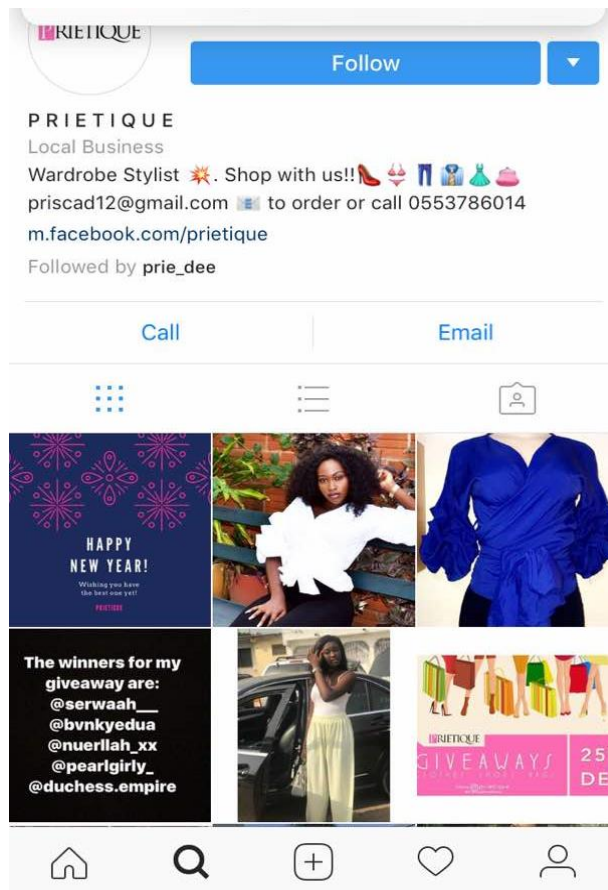


Figure 1. Prietique’s Instagram Account Activity

ANALYSIS AND DISCUSSION

Social Media as an Input Resource for the Development of Social Commerce Capabilities

Information systems resources serve as input into the development of social commerce capabilities. From the Prietique case study, we could identify resources such as social media platform or account, mobile communication device, Internet connection, online social capital (from previous personal account followership), and product stock. Other input resources identified include her business partnership with courier companies that fulfil customer orders, and the knowledge and skill of using social media to attract leads and achieve online sales. Whilst some of these resources like the social media platform or account are purely technological in nature, others are human or social e.g. business relationship with courier company. However, the presence of both types of resources suggests the need to combine different resource types to be able to develop social commerce capabilities. This observation underlies the proposition that:

Proposition 1: There is a need to combine both technical and non-technical resources in the development of social commerce capabilities.

Social Commerce Capability Development Process

The development of social commerce capabilities are posited to go through three stages. At the founding stage, a firm determines why social commerce should be adopted. The case findings do not explicitly show why Prietique adopted social commerce. However Adwoa reckons that her non-commercial online social capital prompted her to explore commercial gain. She thought that she could translate her personal followership of over 100,000 to that of a commercial account – which now has a relatively meagre 3,000 followers. This difference uncovers an interesting scenario where her personal followers are apparently reluctant to further follow her commercial account. This reluctance may be due to the difference in the perceived goals of the two accounts – whilst one may follow her personal account for hedonic non-obligatory reasons that may not be the case for an account with commercial intentions. Here we see that not all resources can be explicitly acquired for later development. Some may have to be developed alongside the development of the capabilities, and not necessarily treated as an input. Based on this observation, the second proposition is that:

Proposition 2: Personal social capital is not immediately available for use in the development of social commerce capabilities especially when it is being translated for commercial purposes.

The outcome of the developing stage is either a social commerce which is no e-commerce, connected e-commerce, static e-commerce, interactive e-commerce, transactive e-commerce, and integrated e-commerce (Molla and Licker, 2004). Interestingly, social media's underlying technology affords the development of multiple social commerce capabilities beyond the distinct ones aforementioned. For instance, Prietique simultaneously exhibits both informational and interactional social commerce capabilities. It is able to use social media for sending information or for communication purposes only (see Figure 4.1 for an example of using Instagram to provide product information), and to respond to queries, or give instant and intelligent feedback. Unfortunately, it would be quite difficult if not impossible to develop either transactional social commerce capability i.e. the ability to use social media to allow customer transactions, or transformational social commerce capabilities i.e. the ability to create its own social commerce platform to provide information, customer interactions and transactions, and also manage all business functions at the same time e.g. HR, marketing, production et-cetera. The possibility of developing these higher-order capabilities are hampered by the features of the social media platform in use. For instance, whilst Facebook allows online purchases, Instagram (which the case firm uses) does not allow that. Hence, we could draw the third proposition that:

Proposition 3: The level and type of social commerce capabilities that could be developed is highly contingent on the affordances of the underlying technology of the social media platform.

CONCLUSIONS

The purpose of this paper is to explain how firms deploy, develop, and manage resources to create social commerce capabilities to achieve benefits. Using a qualitative case study of an online fashion boutique setup on Instagram, a social media platform this study draws three main propositions with respect to the development of social commerce capabilities. First, in the development of social commerce capabilities, there is need to combine both technical and non-technical resources. Second, personal social capital is not immediately available for use in the development of social commerce capabilities especially when it is being translated for commercial purposes. Third, the level and type of social commerce capabilities that could be developed is highly contingent on the affordances of the underlying technology of the social media platform. Future research could consider developing measures to test the generalizability of these propositions across various contexts and different social media platforms.

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