Value co-creation and purchase intention in social commerce: The enabling role of word-of-mouth and trust

Full Paper

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Abstract

Social commerce combines commercial and social activities, and has managed in a very short period of time to attract the interest of researchers and practitioners. In this study we use theories of trust and value co-creation to understand how word-of-mouth (WOM) affects purchase intentions in social commerce settings. Drawing on a sample of 385 survey-based responses from users of social commerce platforms, we empirically examine a set of hypotheses by means of partial least squares analysis. The outcomes of the analysis demonstrate that WOM has a direct effect on purchase intentions, as well as an indirect one by developing a sense of trust to consumers. WOM and its impact on trust also has a positive effect on a consumers’ propensity to engage in value co-creation, which ultimately contributes to increased levels of purchase intentions. In closing, theoretical and practical implications are discussed, and limitations of the study are highlighted.

Keywords


Introduction

The growing popularity of social media as an effective means of socializing and sharing information has given rise to a new form of e-commerce, social commerce (Stephen & Toubia, 2010). Social media have been defined as a group of internet-based application that build on the ideological and technological foundations of Web 2.0 (Kaplan & Haenlein, 2010). Such environments allow the creation of user-generated content, facilitate social networking, and enable the circulation of information within online groups of peers (Tang et al., 2012). Not surprisingly, social media have attracted the interest of business executives and marketers with regard to their potential in gaining a competitive edge (Zhou et al., 2013). The richness of media supported by social media, in combination with the vast user base, enables them to be used as a unique tool for attracting new customers and gaining direct customer feedback (Mikalef et al., 2013). The commercial impact of social commerce is now vividly obvious in multiple ways. Commercial features are increasingly apparent in social media platforms, as are social affordances in traditional e-commerce websites (Liang et al., 2011). In addition, firms are massively engaging in customer relationship management, brand communication, product promotion and co-development (Coulter et al., 2013; Goh et al., 2013).

The exchange of any positive or negative statements made by potential, actual, or formers customers about a product or company which is made available to a multitude to people and institutions over the internet, commonly referred to as electronic Word of Mouth (WOM) (Hennig-Thurau et al., 2010), has been a popular topic in IS and marketing research (Zheng et al., 2013; King et al., 2014). In the context of
social commerce, most studies have either focused on how WOM is generated by the sender (Mikalef et al., 2013), or how it influences the receivers’ attitude and purchase intention (Erkan & Evans, 2016). Yet, according to the statistics from Chan and Ngai (2011), at least one third of these publications are not theoretically grounded, which calls for the development of more robust theories in this area (Cheung & Thadani, 2010; See-To & Ho, 2014). Past research studies have shown that WOM has an impact on purchase intention either directly (Jalilvand & Samiei, 2012), or by affecting a consumers trust (Chan & Ngai, 2011), thereby indirectly influencing their tendency to purchase (McKnight et al., 2002). In addition to these, it has been argued that WOM can positively impact purchase intention through value co-creation (See-To & Ho, 2014). This is a relatively new research topic in IS (Gnyawali et al., 2010), service science, and innovation management (Vargo et al., 2008) according to which the consumer and the firm are involved jointly in creating value that is unique to the individual and sustainable to the firm (Prahalad & Ramaswamy, 2013). The main premise is that WOM may have a direct as well as an indirect impact through consumers trust on value co-creation (See-To & Ho, 2014), which ultimately enhances consumers purchase intentions (Luo et al., 2015).

To date, very few empirical studies have been conducted using social commerce platforms as the medium of communicating WOM, despite the fact that an increasing number of firms are deploying strategies to harness their potential (Mangold & Faulds, 2009). Therefore, the purpose of this research is to empirically examine the mechanisms through which WOM influences value co-creation and ultimately purchase intentions of consumers on social commerce platforms. We base our theoretical model on theories in trust and value co-creation and on the work of See-To and Ho (2014). Specifically, we aim to answer the following research questions:

How does WOM on social commerce platforms affect consumers trust and ultimately purchase intentions? How does WOM and trust in social commerce platforms influence value co-creation? Does value-co-creation affect purchase intention?

The rest of the paper is structured as follows. In the next section we present an overview of literature on WOM, and determine its relationship with trust, value co-creation, and purchase intention. We then proceed to develop a set of research hypotheses based on the associations of the constructs. In the research and methodology section we describe the method followed to actualize the objective of the study, while in the empirical results section we analyze the collected data. In closing, we discuss findings and comment on their research and practical implications.

Literature Review

WOM, trust, and purchase intention

Past empirical studies have shown that WOM, trust, and purchase intentions are inextricably associated (Awad & Ragowsky, 2008). Potential consumers utilize WOM in various forms, such as in blogs, forums, product reviews, or product ratings which works as a mechanism of increasing their trust in a product and the firm that produces them (Dellarocas, 2003). Based on extensive past empirical literature, it is suggested that when a potential consumer senses that there is a sufficient quantity of positive WOM, this will lead to higher expectations about the quality of the product and the service provided (Mikalef et al., 2012). In turn, this positive expectation activates a sense of confidence in purchasing a product or service. Hence, WOM can work indirectly on influencing a consumers purchase intention (Kim et al., 2011). Conversely, if a potential consumer realizes that there is a large negative quantity of WOM, or an absence of user-generated information for a specific product or firm, then trust is deterred which also reduces purchase intentions (Awad & Ragowsky, 2008). The influence of WOM on purchase intentions has been studied in several contexts, such as websites, blogs, virtual communities, and online forums (Chan & Ngai, 2011), however, the mediating effect of trust has been largely neglected, particularly in the context of social commerce (See-To & Ho, 2014). Previous research on trust in the domain of e-commerce has shown that it is a multi-dimensional concept with complex causal relationships characterizing the underlying dimensions (McKnight et al., 2002). These can be divided into trusting attitudes (disposition to trust, institutional-based trust, and trusting beliefs) and trust-induced behavior (trusting intention and trust-related behavior) (McKnight et al., 2002). While the link of WOM, trust, and purchase intentions is clearly documented in past research, it has gained very limited attention in the context of social commerce and in relation to the multi-faceted nature of trust.
Value Co-creation

The notion of value co-creation suggests that the value of a product or a service is not developed by the manufacturer or supplier, but that it is co-created with the consumer (Prahalad & Ramaswamy, 2013). The idea of value co-creation has gained eminence in marketing studies, with a multitude of models attempting to explain how value is co-developed between suppliers and consumers (Maglio & Spohrer, 2008). Value co-creation builds on the premise that consumers can apply their skills and knowledge in providing ideas about products or services they would be interested in consuming (Vargo et al., 2008). In that way, companies can gain a deeper understanding of their potential customer groups and deliver personalized experiences through their products and services (Mikalef & Pateli, 2017). In a recent article concerning the micro-foundations of value co-creation, it is noted that actor engagement is a critical aspect of success (Storbacka et al., 2016). In order to engage consumers to participate in the co-creation process, it is important to stimulate psychological states that motivate them to actively contribute (Brodie et al., 2011). Social influence in the form of WOM and actor disposition and formation mechanisms through trust building are regarded as influences of a consumers’ propensity to co-create value (Storbacka et al., 2016). Hence, the mechanism of driving value co-creation participation relies on dispositions (internal) and connections (external) of actors and their interactions (Storbacka et al., 2016).

In the context of social commerce, it has been suggested that highly engaged consumers play an important role in co-creating customer experience and value, and effectively contributing towards increased purchase intentions (Hajli, 2014). While there is a growing body of literature on antecedents and outcomes of value co-creation, in the context of social commerce in which conditions are ripe for examining this phenomenon, there are still scarce empirical studies (See-To & Ho, 2014).

Research Model

The proposed research model builds heavily on the notion of trust as a conditioning factor in explaining consumer behavior in the context of social commerce. In accordance with past empirical literature, we decompose the notion of trust and focus on the trusting attitudes of individual consumers. Disposition to trust is the commencing point on which other attitudes and beliefs are constructed. In essence, it represents the general propensity to trust others and the tendency to depend on others regarding a broad spectrum of situations. An individual’s disposition to trust also influences an individual’s beliefs towards online vendors and even specific commercial outlets (McKnight et al., 2002). Institution-based trust on the other hand refers to the belief that structural conditions are present to enhance the likelihood of successfully completing an endeavor such as purchasing online. Finally, trusting beliefs has to do with the confidence of a consumer in the attributes of the truster; in this case that has to do with vendors on social media. Disposition to trust has been found to influence institution-based trust and trusting beliefs, since it tends to influence interpretations of the medium and the interpersonal relationships developed on them (Gefen, 2000). In addition, institution-based trust is proposed to influence trusting beliefs. This can be justified by the fact that when an environment such as the internet is perceived as safe, then it is likely to build positive trusting beliefs on specific vendors, feeding contextual security (McKnight et al., 2002).

This leads us to the following hypotheses:

**H1**: A consumers’ disposition to trust will have a positive impact on institution-based trust (Online shopping)

**H2**: A consumers’ disposition to trust will have a positive impact on trusting beliefs (Social commerce vendors)

**H3**: A consumers’ institution-based trust (Online shopping) will have a positive impact on trusting beliefs (Social commerce vendors)

Word of mouth has been shown in past literature to affect the trust of consumers in online settings (Dellarocas, 2003). In the context of social commerce, WOM is produced by existing consumers of the product and service, which have been found to significantly influence the attitudes of prospective customers (Stephen & Toubia, 2010). WOM received by a potential consumer can have an impact on their institution-based trust. Seeing positive feedback from a multitude of existing consumers can create an impression that if other internet users perceive it as a safe to purchase online, then institution-based trust is positively affected (See-To & Ho, 2014). In addition, WOM received for a specific vendor, either in the
form of a recommendation or as online reviews, has the ability to generate trusting beliefs in the specific vendor (See-To & Ho, 2014). Such positive WOM activates a sense that the vendor cares and is interested about the well-being of customers (Kim & Park, 2013). Kuan and Bock (2007) found that WOM referrals in social media settings are more likely to inculcate consumers trust in online environments compared to offline environments. Therefore, we can hypothesize that:

- **H4**: Word of Mouth received will have a positive impact on institution-based trust of social commerce consumers (Online shopping)
- **H5**: Word of Mouth received will have a positive impact on trusting beliefs of social commerce consumers (Social commerce vendors)

Prior studies suggest that WOM has an influence on purchase intentions, since consumers heavily rely on comments and other user-generated content when making their buying decisions (Park & Kim, 2008). The information provided through WOM messages which not only concerns aspects about the product or service, but also about user experiences, can enable consumers to make more informed and precise decisions about the suitability of their potential purchase. This ultimately promotes purchase intentions, and is a particularly prevalent phenomenon in social commerce settings (Mikalef et al., 2013). In addition to contributing to purchasing intentions, WOM has been argued as being an enabler of value co-creation through its impact on consumers trust (See-To & Ho, 2014). Abela and Murphy (2008) argue that a consumer must have a sufficient level of trust before agreeing on co-creating value of the product with a firm. As WOM is a factor affecting a consumers trusting beliefs, we expect that it has an effect a consumer's tendency to co-create value. In the context of social commerce, firms create platforms that allow consumers to contribute their insight and feedback (Singaraju et al., 2016). From the side of the firm, this enables an interaction with consumers which contributes to a better understanding from both participating parties. Therefore, we hypothesize that:

- **H6**: Word of Mouth received will have a positive impact on purchase intention
- **H7**: Word of Mouth received will have a positive impact on value co-creation
- **H8**: A consumers’ trusting beliefs (Social commerce vendors) will have a positive impact on value co-creation

The trusting beliefs developed from the previously mentioned sequence of events, is also argued to influence consumers purchase intentions. Previous research in online environments has empirically demonstrated that trusting beliefs have an impact on purchase intentions (McKnight & Choudhury, 2006). Trusting beliefs are accompanied with familiarity and a perceived absence of threat, and consequently reduce consumer inhibitions when making a purchase decision (Lu et al., 2010). A similar phenomenon is noted when consumers engage in the value co-creation process. Their interactions with the firm help build a sense of ownership of the end product and promote feelings of loyalty towards a specific brand, which in turn can lead to higher levels of purchase intention (Luo et al., 2015). That leads us to hypothesize the following:

- **H9**: A consumers’ trusting beliefs (Social commerce vendors) will have a positive impact on purchase intentions
- **H10**: Value co-creation will have a positive impact on purchase intention

### Research Methodology

#### Data Collection

In order to test the research hypotheses of this study, an online questionnaire was developed and administered to participants between October and December 2016. Two main sources were utilized in order to recruit participants to complete the survey. The first was Amazon’s Mechanical Turk (MTurk), which allows for a significantly socioeconomically and ethnically diverse population of customers that use social commerce sites to be contacted (Casler et al., 2013). MTurk is an online platform on which people can be contracted to perform tasks. Primarily completing survey that are related to their backgrounds, in
exchange for financial reward. Within the academic community MTurk has received increased attention as a valid means of collecting data from a diverse population (Hauser & Schwarz, 2016). Studies have examined the effectiveness and validity of using MTurk and found that if concrete instructions are given to the sample, MTurk participants demonstrate higher attentiveness compared to other sample groups (e.g., students) (Hauser & Schwarz, 2016). As an auxiliary means of contacting respondents, a snowball sampling methodology was used since it allowed a more representative sample. People with previous experience in social commerce were contacted through social media, such as social network sites, blogs, forums etc. (Constantinides et al., 2008). Participants were asked to forward the survey to their personal or business contacts that had experience in using social commerce platforms. To engage participants to complete the survey, a raffle was created with gift cards. The snowball effect in the selected sample was facilitated by providing participants with additional entries in the raffle if they invited friends and peers. Respondents with no previous experience in social commerce were disqualified from the study based on a pre-question which also gave an example of what a social commerce platform is. The final sample consisted of 452 responses, of which, 385 were complete and suitable for further analysis.

**Sample Demographics**

The final sample consists of an almost equal distribution of men (55.1%) than women (44.9%). With regard to the age of respondents, the sample is relatively equally distributed with those between 35 to 45 years old accounting for 28.8% of the population, and those between 30 and 34 years old representing 27.2% of the total. Further, 21.9% belonged to the age group 25-29, 15.8% were older than 46 years old, and 6.3% were 18-24. The majority of respondents (53.8%) held a bachelor's degree, with the next biggest group being those that are high school graduates (37.2%). In addition, 9% of the respondents were postgraduates. Most respondents checked their social media accounts several times (63.6%) a day, 21.9% about once a day, and the remaining 14.5% checked their accounts a few times a week or less. The respondents were asked how much money they spend on average on online shopping in a period of month. The largest group of respondents spent between 25 and 50$ (31.9%), followed by those who spent between 50 and 100$ (26.9%). Finally, 17.7% spent less than 25$ a month, with the remainder of the sample spending over 100$ (23.5%).

**Measures**

The questionnaire used in this study comprised of two main parts. In the first part, respondents were asked to provide information about their demographics and spending patterns online, while in the second part, they were presented with statements and questions concerning their perceptions and beliefs about social commerce. Specifically, for the purpose of this study the following measures were utilized. The full list of questions used to operationalize these constructs can be found in the link of Appendix A.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Definition</th>
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<tr>
<td>Word of Mouth</td>
<td>Word of Mouth is defined as the degree to which users of social media tend to search for information and advice from others when considering a new product.</td>
<td>Hennig-Thurau et al., 2010; Chu &amp; Kim, 2011; Mikalef et al., 2016</td>
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<td>Disposition to Trust</td>
<td>Disposition to trust is the extent to which a person displays a tendency to be willing to depend on others across a broad spectrum of situations and persons</td>
<td>McKnight et al., 2002; Kim &amp; Park, 2013</td>
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<td>Institution-Based Trust</td>
<td>Institution-based trust is the belief that needed structural conditions are present to enhance the probability of achieving a successful outcome in an endeavor like social commerce.</td>
<td>McKnight et al., 2002; Kim &amp; Park, 2013</td>
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<td>Trusting Beliefs</td>
<td>Trusting beliefs means the confident consumers perception that the trustee—in this context, a social commerce vendor—has attributes that are beneficial to the consumer</td>
<td>McKnight et al., 2002; Kim &amp; Park, 2013</td>
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<tr>
<td>Value Co-Creation</td>
<td>Value co-creation is the belief of the consumer that he is intimately involved in jointly creating value that is unique to the individual consumer and sustainable to the firm.</td>
<td>Ng et al., 2010; Prahalad &amp; Ramaswamy, 2013</td>
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Value co-creation and purchase intention in social commerce

Table 1 Construct definitions and supporting references

| Purchase Intention | Mikalef et al., 2013; Ng, 2013 |

**Measurement Model**

All variables used in this study are reflective latent variables, and are therefore subjected to reliability, convergent validity, and discriminant validity tests. Reliability was assessed at the construct and item level. At the construct level, Cronbach Alpha (CA) were examined to confirm that they were above the threshold of 0.70, while at the item level construct-to-item loadings were examined to verify that all values were above the threshold of 0.70. All CA values were above 0.82, while for construct-to-item loadings the minimum value was 0.73, therefore confirming reliability at both construct and item level (Hair et al., 2016). To check that convergent validity is established we examined if Average Variance Extracted (AVE) values were above the lower limit of 0.50 (Fornell & Larcker, 1981). The lowest observed value was 0.65 which exceeds the previously mentioned threshold. Discriminant validity, was tested through two ways. The first was by examining if each constructs AVE square root was greater than its highest correlation with any other construct (Fornell-Larcker criterion). The second way was by checking that each indicators outer loadings on its assigned construct was greater than any other cross-loading with other constructs (Farrell, 2010). The outcomes of the measurement model tests indicate that first-order reflective measures are valid and that items are good indicators of their respective constructs as depicted in Table 2.

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<tr>
<th>Mean</th>
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<th>Cronbach Alpha (CA)</th>
<th>Average Variance Extracted (AVE)</th>
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<td>0.97</td>
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<td>4.58</td>
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<td>4.52</td>
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**Empirical Results**

**Structural Model**

To examine the set of proposed hypotheses, partial least squares structural equation modeling (PLS-SEM) is applied on the collected sample. The significance of estimates (t-statistics) are obtained by performing the bootstrap procedure with 5000 resamples, while path weights are extracted using the PLS algorithm of SmartPLS. The structural model from the PLS analysis is summarized in Figure 1, where the explained variance of endogenous variables (R²) and the standardized path coefficients (β) are presented. As illustrated in Figure 1, nine out of ten hypotheses are supported. Specifically, we find that word of mouth...
received, positively affects trusting beliefs ($\beta=0.291$, $t=6.177$, $p < 0.001$), value co-creation ($\beta=0.411$, $t=8.265$, $p < 0.001$), as well as purchase intentions ($\beta=0.525$, $t=10.389$, $p < 0.001$). Contrarily, no significant effect is observed between word of mouth received and institution based trust ($\beta=-0.023$, $t=6.177$, $p > 0.05$). In coherence with past literature, disposition to trust is found to exert a positive effect on both institution-based trust ($\beta=0.291$, $t=9.181$, $p < 0.001$) and trusting beliefs ($\beta=0.173$, $t=3.091$, $p < 0.001$). In turn, institution-based trust has a positive and significant effect on the trusting beliefs of the individual ($\beta=0.440$, $t=9.761$, $p < 0.001$). Trusting beliefs are found to have a positive and significant effect on both the value co-creation process ($\beta=0.343$, $t=5.824$, $p < 0.001$), as well as on purchase intentions ($\beta=0.226$, $t=4.913$, $p < 0.001$). Finally, engaging in value co-creation is showed to have a positive effect on purchase intentions ($\beta=0.199$, $t=4.065$, $p < 0.001$).

**Figure 1 Estimated causal relationships of structural model**

The structural model explains 16.7% of variance for institution-based trust ($R^2 = 0.167$), 41.1% for trusting beliefs ($R^2 = 0.411$), 38.8% for value co-creation ($R^2 = 0.388$), and 60.8% for purchase intention ($R^2 = 0.608$). These coefficients of determination represent moderate to substantial predictive power (Hair et al., 2016). In addition to examining the $R^2$, the model is evaluated by looking at the $Q^2$ (Stone-Geisser) predictive relevance of constructs. This test is a measure of how well observed values are reproduced by the model and its parameter estimates, assessing as such the model’s predictive validity through sample re-use (Chin, 1998). $Q^2$ values greater than 0 are an indication that the structural model has sufficient predictive relevance, whereas values below 0 are an indication of insufficient predictive relevance (Hair et al., 2016). Results of the blindfolding procedure show that institution-based trust ($Q^2 = 0.094$), trusting beliefs ($Q^2 = 0.309$), value co-creation ($Q^2 = 0.284$) and purchase intentions ($Q^2 = 0.457$) have satisfactory predictive relevance (Hair et al., 2016).

**Discussion and Conclusion**

Based on prior literature we propose a theoretical model and put forth 10 research hypotheses concerning the role of WOM in affecting purchase intention and value co-creation through the lens of trust. We base our examination in the context of social commerce primarily due to the growing interest expressed by consumers and marketers, as well as for the affordances enabled on these platforms that allow for interactions between consumers and firms. As such the proposed model and the empirical results contribute theoretically in three main ways.

First, this study adds to the understanding of the role of trust in mediating the effect of WOM on purchase intention. The proposed association of WOM and purchase intention is found to be partially mediated by
trust, while also maintaining a strong positive association. This demonstrates that trust acts as conditioning mechanism in influencing consumer behavior. Second, we show that WOM has an influence on value co-creation, which although has been suggested theoretically in several articles, has not to the best of our knowledge, been tested empirically in social commerce platforms. There is a lack of understanding on the factors that engage consumers to participate in the value co-creation process from the perspective of the actual consumers themselves. Third, we have shown that consumers that actively participate in value co-creation are more inclined to purchase, thus, empirically demonstrating prior theoretical suggestions. While there has been extensive research on the potential of social commerce platforms, there is still very scarce work on the antecedents and consequences of value co-creation from the users’ point of view. The present study is a first step in this direction.

In addition to the theoretical value of this study, several practical implications can be drawn from the empirical results. Marketers have already understood the value of social commerce platforms for advertising and promoting their new products and services. Yet, there is still limited attention on campaigns that can engage consumers in the value co-creation process. Based on the outcomes of our analysis doing so would be beneficial seeing that consumers that perceive that they are contributing towards the development of a new product or service will be more likely to purchase. In addition to this, our findings demonstrate that it is important for marketers to cultivate a sense of trust and understanding towards their consumers (Pappas et al., 2016). This can be done by interacting promptly and precisely to feedback received from existing consumers in the form of WOM, since neglecting to do so may result in negative perceptions and therefore a lack of trust.

As with any research, our study also has some limitations that could be addressed in future ventures. While the notion of trust is found to be critical in explaining the effect that WOM has on both value co-creation and purchase intention, it is highly likely that additional factors, such as those in the UTAUT model, may have interactions with existing constructs of the model. Furthermore, we have not included aspects of the message conveyed in WOM such as valence and validity of the reviewer. It is highly likely that not all consumer generated messages have equal weight on influencing consumers’ attitudes and conduct in social commerce settings. We anticipate that future research can shed some light on the aforementioned limitation of the current study.

REFERENCES


Appendix A. Questionnaire Items

The questionnaire items can be found in the following link: https://drive.google.com/open?id=0B-u-CwCeqR-FS2xQYoU4VJB6eDQ