

Intention to Purchase on Group Buying Website: The Mediation Effects of Perceived Value¹

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Abstract

Attracted by the rapid growth of the group buying industry first introduced into Taiwan market in 2010, many companies rushed in this business, leading to an intensive competition. Some of the players were forced to leave this industry after only a few years. Hence, it is critical to know why consumers would buy in this new channel. To understand this phenomenon, a research model were built standing on the assumption that group buying will offer an opportunity for gaining hedonic and utilitarian values with potential risks. A questionnaire survey was conducted to collect data to test our hypotheses. The results show that hedonic value utilitarian value both positively impact purchasing intention in group-buying website. On the other hand, perceived risk produces negative impacts. Finally, perceived risk would be suppressed by utilitarian value of the website, but not the hedonic value.

Keywords: Hedonic value, Utilitarian Value, Perceived risk, Group buying.

1. Introduction

Group buying website (or the website hereafter), allowing a lot of strangers to purchase a coupon for consuming products (or the coupon hereafter) in brick and mortar stores at very low prices, became widely accepted by Internet consumers, attracting some businesses rushed into this market in a short period of time. The competition of this business was hence becoming high, forcing some of them to stop their operations and leave this business a just a few years. To improve the situations, the issue which all the remaining players care about is how to trigger consumers' purchase intention after they browse through the websites.

Many researchers agree that consumers' perceived value has a significant influence on customer satisfaction and behavioral intentions (Andreassen & Lindestad 1998; McDougall & Levesque 2000; Pura 2005). Thus, the issue how to increase consumers' perceived value toward

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the coupon is critical for the website. The judgment of consumption value typically involves a trade-off between what they receives (e.g., quality, benefits, worth, utilities) and what they gives up to acquire and use a product or service (e.g., price, sacrifices) (Woodruff 1997). Consumer value classifications are represented as the dichotomization of utilitarian and hedonic values (Babin et al. 1994). In the online consumption context, Childers et al. (2001) reported that both utilitarian and hedonic dimensions lead to positive attitude towards online retail.

Some authors argued to increase the websites' competitive position by offering diversified products with cheap prices (Butler, 2011; Edelman, Jaffe and Kominers, 2011). Products offered in the website are mainly experiential products like food, snack, dessert, clothes, etc. More or less, the results from consuming such experiential products may be doubtful, since the quality of these products can be certain of only after the consumption. To make matters worse, a large proportion of stores in the website are mainly unknown or unfamiliar new startups (Dholakia & Meals, 2011). Without sufficient knowledge of products and stores, people may typically perceive a higher degree of uncertainty of outcomes from purchase decisions (Dholakia and Tsabar, 2011). Due to the information asymmetry between the two parties, stores owners may be more or less opportunistic in their behaviors; hence, press and medium report frequently anecdotal evidence of consumers' inferior experiences⁴ and risks exposed.

Though the effects of value and risk on purchase intention have been investigated thoroughly in previous literature, there effects are mostly investigated separately in two different research paradigms. However, consumers' perceived value might be associated with perceived risk, and how will this relationship influence purchase intention is rarely explored.

This study will conduct an empirical research to explore the validity of the above assertions, hoping that we can add some further explanations as why people would choose to buy in the website while negative anecdotal hearsays circulated widely. This study argued that the difference in consumers' perceived utilitarian and hedonic values may contribute partially to the difference of competitive advantage of the group buying companies. Accordingly, the objectives of this study are: Examine the relative importance of hedonic and utilitarian values on perceived risk and subsequent behavioral intention; and investigate the moderated mediating role of perceived risk between consumers' perceived value and behavioral intention.

⁴e.g., see <http://www.inside.com.tw/2011/01/02/failed-meal-groupon>, accessed in 2012/6/20; and <http://www.inside.com.tw/2011/02/14/groupon-hk-flower-failed>, accessed in 2012/6/20

2. Theory and Hypotheses

2.1 Perceived value of group buying

Group-buying is a conduct of joining a group of strangers to strengthen their collective bargaining power via increasing their scale of economy, forcing retail stores to cut short the price of products to enhance their customer values. Groupon is a combination from the words “GROUP and COUPON,” which literally indicates that the operation of business features a combination of characteristics from group auction and coupon. Retail stores announce pleasing prices of their offerings in the website to entice consumers; once the group size reaches a threshold, joining customers will get a coupon for consuming products in brick and mortar stores at another time. Most of the joining retail stores are brick-and-mortar stores, offering a variety of products in very low prices.

One of the significant characteristics of the website is its ability to offer a variety of experiential products provided by many new formed businesses in a very low price. For just started stores, initiating tactics of group buying could be an effective marketing campaign to improve their exposure to potential customers and increase sales rapidly (Dholakia & Tsabar 2011). Yet, some of the existing customers may also be attracted by the eye-catching offers to change their minds to purchase the coupon, since low price attracts repeat buyers more than new customers (Kim et al. 2012); even they still go directly to the stores, while consuming in the stores, they may reap less benefits eroded by customers using coupon. To avoid such flaws, retail stores always impose some limitations upon the usage of coupon (Dholakia & Tsabar 2011). However, this policy may also be harmful to the value from using the coupon.

Except for the negative influence on customer value, group buying may still bring a few troublesome problems to potential customers. Firstly, product quality could be uncertain before its consumption. Many consumers may perceive an inferior quality before buying since the price is cheap (Dholakia and Tsabar, 2011). In addition, people may normally be hard to trust unfamiliar stores, and may instead perceive a higher degree of uncertainty of outcomes from a decision to buy product from these stores (Dholakia and Tsabar, 2011). To summarize, people who get a coupon in the website may face a poorer situation where they get only lesser value and high uncertainty.

2.2 Utilitarian value and hedonic value

Consumption value, or consumer value, is defined as an “overall assessment of the utility of a product based on the perceptions of what is received and what is given” (Zeithaml 1988, p.14). It is a tradeoff between the sacrifice one paid to get, and the benefits or utility received from the consumption of the products. Customers care very much about the performance of a product’s physical attributes, or the benefits received from product consumption (Holbrook &

Hirschman 1982); in other words, product is viewed as a solution to specific problems or needs, and the process of product procurement and consumption is viewed as a task to fulfil some specific objectives (Bettman 1979).

Yet, some authors argued that rational view may neglect subjective experiences gained from product consumption, like emotional responses, satisfaction of one's interests, etc., (Holbrook & Hirschman 1982). These authors possessed a viewpoint that value is the composition of every kind of subjective experiences induced during product consumption (Holbrook & Hirschman 1982; Zeithaml 1988). Hence, the purpose of product consumption is not task-oriented only, but is also an effort trying to gain and enjoy various hedonic values (Bloch & Richins 1983; Bloch & Bruce 1984).

Babin et al. (1994) accordingly classified consumer value into two dimensions: utilitarian and hedonic value. Many researchers support this classification and stated that it is appropriate to view value as a dual-nature concept. Since the products sold in the website may not only satisfy people's utilitarian demands, but can also enable people to enjoy new experiences, generating emotions such as excitement, curiosity.

Utilitarian behavior is a goal-oriented and rational conduct, concerned with effectiveness and instrumental aspects of consumption behavior such as low prices, convenience; whereas hedonic behavior implies seeking fun, enjoyment and experiences from consuming products such as food, snack, dessert (Babin et al. 1994; Batra & Ahtola 1990; Dhar & Wertenbroch 2000). Childers et al. (2001) suggest that, while the utilitarian aspects of the website are important predictors of consumer attitudes, the more immersive, hedonic aspects of the website play at least an equal role. Since products offered in the website are mainly experiential like food, snack, dessert, clothes, etc., mostly offered by new startups (Dholakia & Meals 2011), it is critical for attracting consumers that the website not only enlarge consumers' perceived utilitarian value but also hedonic value.

A plentiful empirical evidence support the idea that value positively impacts customers' purchase intention (e.g., Childers et al. 2001; Chen et al. 2008; Ryu et al. 2010), either directly or indirectly. Ryu et al. (2010) have provided empirical evidence for a positive relationship between both customers' perceived utilitarian and hedonic value and behavioral intentions. Childers et al. (2001) report that online consumption behavior includes both utilitarian and hedonic dimensions lead to positive attitude toward online retail. Since the products sold in the website may not only satisfy people's utilitarian demands, but can also enable people to enjoy new experiences, generating emotions such as excitement, curiosity, the following hypotheses are offered:

H1: Perceived utilitarian value has a positive impact on the intention to buy coupon in the website.

H2: Perceived hedonic value has a positive impact on the intention to buy coupon in the website.

2.3 Perceived uncertainty and perceived risk

The role of risk in influencing human's behaviour has been researched widely in the arena of social science, and consumer behavior in particular (Campbell & Goodstein 2001; Conchar et al. 2004). Making decisions under uncertain situations may easily impose loss and risks on decision makers. Previously, risk was defined as the probability of the occurrence of unexpected outcomes after making decisions under uncertain situations (Jøsang and Lo Presti, 2004); in context of consumption decisions, unexpected outcomes normally means potential monetary loss or physical harms incurred from consuming products purchased.

Perceived risk involves two dimensions: consumers' perceptions of uncertainty and the adverse consequences (i.e., losses) they might suffer from buying a product or service (Conchar et al. 2004). Cunningham (1967) defined uncertainty as consumers' subjective judgment of the probability of realizing unexpected outcomes; and he defined adverse outcome as the jeopardy incurred after the happening of some risk events. Consumers normally perceive risk when a decision creates social and economic consequences that they cannot estimate with certainty (Vanhamme & de Bont 2008). Thus, consumers may feel exposing in a risky environment when perceived degree of uncertainty is high.

Ordinary people are oriented toward risk aversion, hence may easily perceive a higher degree of risks. They will try to collect information to make a learned decision, accurate enough to reduce the uncertainty to a tolerable level (Cox, 1967; Baron et al., 1996). If the customers of the website are unable to know in advance whether their decisions could bring them expected benefits, they may perceive the existence of risks. It is consistently found that, the higher the perceived risks, the higher the perceived expected loss, inhibiting greatly the consumers' purchase intentions. This finding has also been widely supported in articles related with e-commerce (e.g., Choi & Geistfeld 2004; Kuhlmeier & Knight 2005; Featheman & Pavlou 2003), and group buying (Cheng et al. 2012). Accordingly, the following hypothesis is proposed:

H3: Perceived risk has a negative impact on the intention to buy coupon in the website.

Babrow (1992) suggests that uncertainty might be experienced when a person assesses the probability of an event. Moreover, a curvilinear relationship exists between the beliefs about probability and uncertainty, such that uncertainty is lowest when the probability of occurrence is believed to be 0% or 100% and highest when the probability of occurrence is believed to be

50% (Brashers 2001). Thus, individuals experience increasing uncertainty as the likelihood of the event occurring or not occurring becomes equal (Brashers 2001).

Accordingly, a stronger perception of risk may imply the situation that consumers will perceive equal gains and giving from the purchase decisions, which in turn leads to a perception of lower value. In contrast, perceived low risks might result from a perception of gains larger than losses, the former case of Babrow (1992), which in turn leads to a higher perception of value. Thus, perceived risk is more likely to have a negative impact on perceived value.

It is further suggested that value will have a negative mediation effect on the relationship between risk and purchase intention. When the perception of risk is increasing, perceived value would concurrently be decreased since the perception of gains will gradually become larger than losses. Accordingly, perceived higher risks might have indirectly negative impacts on purchasing intention because it creates a lower value situation. In contrast, when consumers perceived lesser risks, perceived value would be raised. Thus, perceived low risk should impact intention positively through the enhancement of value. Thus, perceived value might mediate the relationship between perceived risk and purchasing intention.

Accordingly, the following hypotheses are proposed:

H4: Perceived risk has a negative impact on utilitarian value in the website, and indirect negative impacts on purchase intention.

H5: Perceived risk has a negative impact on hedonic value in the website, and indirect negative impacts on purchase intention..

3. Methods

3.1 Sample and data collection

Internet questionnaire was used for data collection. Volunteers were invited to participate in this survey via posting in bulletin board, and e-mail and MSN inquiry. The data collection lasted for two weeks, and finally 166 valid questionnaires were retrieved. We asked the respondents to score their perception of utilitarian value, hedonic value, risk, and purchase intention to the group buying website. They showed that the frequency of purchased on a group buying website were 42% 1~5 times, 30% 6~10 times, and 28% above 11 times. Moreover, the respondents were 41% males and 59% females.

3.2 Measures

Based on the literature reviewed, a theoretical model was derived (figure 1). All constructs in the survey were measured using multi-item scales with five-point Likert rating system. In order to ensure the content and face validity, all questionnaire items were adapted from existing questionnaire with good reliability, and validity to fit into the research context. Table 1 summarizes the operational definition of each variable, the sources of measurement scale, and

the number of items of each variable. We adapted the measures from previous research, with minor wording modifications to fit our study context, and then professionally back translated them (Chinese and English) to ensure conceptual equivalence. Subsequently, we invited three experts and four representative samples to participate in the pretest of the questionnaire for readability and relevance and ensure that our questions were clear and understandable.

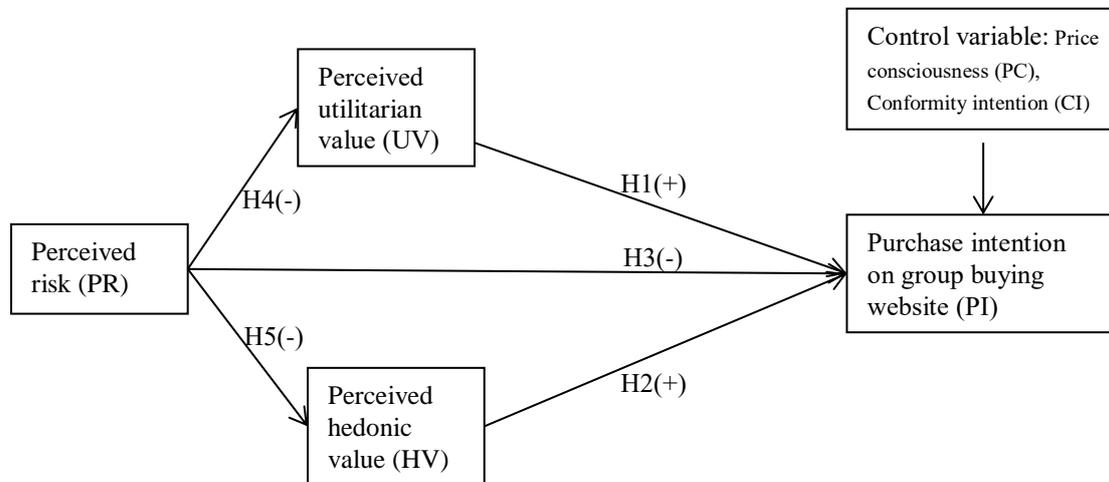


Figure 1. Proposed relationships among the variables

In addition, we included two control variables to avoid model misspecification and to take into account possible alternative explanations for variations in among the utilitarian value, hedonic value, and risk. First, conformity behaviour may reduce the followers' subjective evaluation of the probability of occurring negative outcomes, hence leading to a lower perception of uncertainty, which in turn influence purchase intention positively. Second, price consciousness is a belief about the price defined as the degree to which the consumer focuses on paying low prices (Lichtenstein et al. 1990, p.234). A low price may intuitively implicate a lesser loss from the occurring of negative outcomes; therefore, consumers may be encouraged by this fact to purchase in the website without too much consideration about risk. To summarise, we controlled for these two variables which may play a role in group buying context.

Table 1. Variable definition and operationalization

variable	definition	source	Number of items
PI	The probability of purchasing product in group buying website in the next 6 months	Crespo & del Bosque (2008)	3
PC	The degree of inclination of buying product in cheaper price	Xia et al. (2010)	4
HV	The perceived enjoyment and emotional responses derived from purchasing and consuming product in the website	Babin et al. (1994)	8

UV	The degree of perceived convenience of and fulfilment of the purchasing task conducted in the website.	Babin et al. (1994)	6
PR	The perceived risk of purchasing on group buying website.	Kuhlmeier & Knight (2005)	4
CI	The probability of following other people's decisions to purchase product in the website.	Kim & Park (2011)	4

abbreviation: PI- purchase intention; PC- price consciousness; HV- hedonic value; UV- utilitarian value; FR- financial risk; CI- conformity intention

4. Results

4.1 Measurement model evaluation

Exploratory factor analysis (EFA) and Cronbach's α were used to evaluate and improve the reliability and validity of our measurement model. Since the KMO value is larger than 0.7, and the Bartlett test is statistically significant ($p = 0.000$, $df = 406$), a principal components analysis with orthogonal rotation by varimax method was conducted. Six factors with eigenvalues value larger than one were extracted. We dropped some items either had a factor loading less than 0.5, were loaded into incorrect factors, were loaded into a factor having one item only, or were loaded into two factors, with the two factor loading values having a difference less than 0.1. Table 2 shows the results of EFA.

A confirmatory factor analysis was further conducted to evaluate the measurement model. To improve the validity of hedonic value, HV6 was further deleted (Table 2). After that, the factor loading of each item is greater than 0.5, except for HV8, which is still quite near 0.5 (0.4908). Therefore, this study still keeps this item in the succeeding analyses. In addition, cronbach's alpha and composite reliabilities of all constructs are greater than 0.72, and all average variance extracted (AVE) estimates are greater than 0.50 (Fornell & Larcker 1981); therefore, the measures demonstrate adequate convergent validity and reliability. We examined whether the shared variance between all possible pairs of constructs were lower than the square root of AVE for the individual constructs (Table 3), which suggested that there is strong discriminant validity (Fornell & Larcker 1981).

4.2 Hypothesis testing

For testing the mediation hypotheses, we followed the recommendations of Preacher & Hayes (2008) who suggest that the mediational effects can be analysed through the application of bootstrapping confidence intervals, which is possible to avoid power problems introduced by asymmetric and other non-normal sampling distributions on an indirect effect. Accordingly, partial least square was used to test the hypothesis, and SmartPLS 2.0 was chosen as the statistical tool. The bootstrap re-sampling procedure (5000 samples) was used to generate the standard errors and the t-values, which allows the beta coefficients to be made statistically significant.

Figure 2 shows the results of hypotheses testing. The results show that, as expected, UV and HV both have significant and positive impacts on purchase intention, supporting for Hypotheses 1 and 2. Also, PR has significant negative impacts on purchase intention, supporting for Hypotheses 3. The figure also shows that PR has negative impacts on HV and UV; yet, the effects of PR on UV is insignificant, supporting for Hypotheses 4 only, but not for H5. Finally, the effect of PC is insignificant, but CI did influence PI positively and significantly.

Table 2 Results of EFA

	factor								loading	CR	α	AVE
	1	2	3	4	5	6	7	8				
PC1					.757				0.8782	0.8199	0.7282	0.6159
PC2					.767				0.9051			
PC3					.533				0.5072			
PC4^a					-.464							
PR1						.795			0.9174	0.9029	0.7856	0.823
PR2						.710			0.8969			
PR3^c									.709			
PR4^d									.409			
HV1	.601									0.8087	0.7374	0.5319
HV2^{a, b}	.410			.457								
HV3				.580					0.5342			
HV4				.539					0.9183			
HV5				.522					0.8706			
HV6^d				.725								
HV7^a												
HV8				.579					0.4908			
UV1	.714								0.7359	0.8737	0.8088	0.6342
UV2^a						.457						
UV3^c									.528			
UV4	.681								0.8381			
UV5	.582								0.8244			
UV6	.668								0.7830			
PI1			.824						0.9463	0.9485	0.9186	0.86
PI2			.750						0.9275			
PI3			.790						0.9079			
CI1		.711							0.8468	0.893	0.8418	0.6762
CI2		.623							0.8184			
CI3		.779							0.7944			
CI4		.810							0.8288			

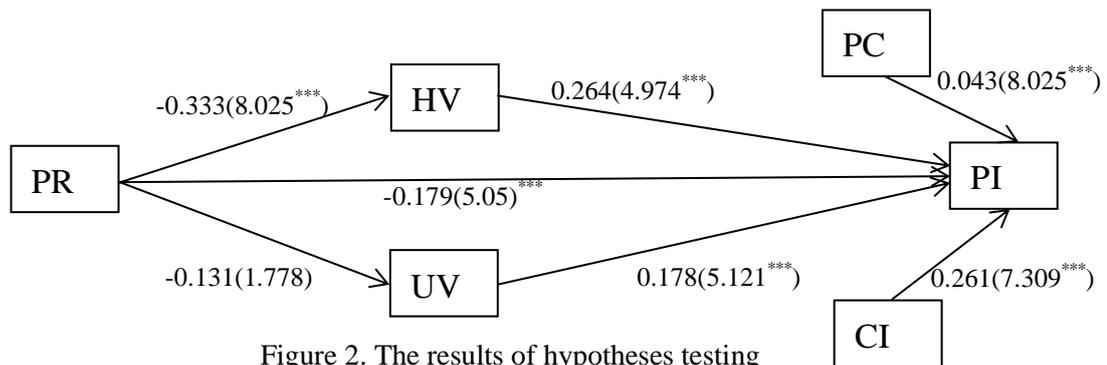
abbreviation: PI- purchase intention; PC- price consciousness; HV- hedonic value; UV- utilitarian value; FR- financial risk; CI- conformity intention
 Note: a- loading < 0.5; b- loaded into two factors; c- single item factor; d- deleted to improve AVE after CFA analysis

Table 3. Reliability, validity and correlation matrix (n=166)

	1	2	3	4	5	6
1. hedonic value	0.75					
2. utilitarian value	0.543**	0.77				
3. perceived risk	-0.186*	-0.319**	0.88			
4. conformity intention	0.378*	0.256**	0.004	0.79		
5. price consciousness	0.157*	0.187*	0.038	0.188*	0.84	
6. purchase intention	0.494**	0.465**	-0.290**	0.383**	0.182*	0.85
Mean	2.331	2.568	2.940	2.321	1.548	2.002
Standard deviation	0.625	0.616	0.746	0.602	0.484	0.723
Cronbach's alpha	0.84	0.81	0.79	0.84	0.75	0.92
composite reliabilities	0.83	0.85	0.87	0.87	0.83	0.89
AVE	0.56	0.60	0.77	0.63	0.71	0.72

The numbers in bold are the square roots of the variance shared between the constructs and their measures.

*** : p < .001, ** : p < .01



abbreviation: PI- purchase intention; PC- price consciousness; HV- hedonic value; UV- utilitarian value; FR- financial risk; CI- conformity intention; Note: *** - P < 0.005

5. Conclusions and Discussions

Though group-buying is gradually becoming popular among Internet users, some of the players were being forced to leave this business recently. Standing on the assumptions that group buying offers an opportunity for consuming experiential products in the context of potential risks, a theoretical model was built and tested. A mediation model portrayed the relationship among perceived risk, hedonic value, utilitarian value, and purchasing intention was proposed. Though the effects of these variables on purchase intention in the websites were

investigated by previous literature, they were considered as independent with each other. We tried to further unfold the complex relationships among them. This study hopes that the findings can explain why consumers decide to purchase products via this new platform.

Consistent with our hypothesis, consumers' perceived utilitarian and hedonic value have positive impacts on purchasing intention in the website, whereas perceived risk has negative impact. Interestingly and more importantly, the effect of hedonic value ($\beta = 0.264$) on purchasing intention is larger than utilitarian value ($\beta = 0.178$) and perceived risk ($\beta = -0.179$). Thus, the purchasing intention is not only dominated by utilitarian value in the website but also hedonic value. This finding supports Dholakia and Meals's (2011) suggestion that hedonic value plays at least an equal role to utilitarian value, but inconsistent with Forsythe, Liu, Shannon, and Gardner (2006) which state that a buyer's utilitarian motive dominates non-store shopping as it provides convenience by the way of saving time and effort. Therefore, future research should examine the relationship among hedonic value, utilitarian value, and purchasing intention in various online contexts.

Moreover, the results indicate that consumers' perceived risk would suppress their perceptions of hedonic value ($\beta = -0.333$, $t = 8.025$, $p < 0.005$) in the website; but its effect on utilitarian value, though negative, is statistically insignificant ($\beta = -0.131$, $t = 1.778$, $p > 0.05$). In other words, the mediating effect of perceived value on the relationship between risk and purchasing intention exists in the case of hedonic value only. This finding is contradict with the argument that hedonic motive is dominant in the case of store-shopping where buyers can directly interact with the sales person or can feel the products on the spot. The online shopping environment doesn't offer the buyer the opportunity to touch, feel, or smell the product (Childers et al., 2001). Some authors also argued that the major risk in online shopping is primarily utilitarian in nature (Bhatnagar & Ghosh 2004; Maignan & Lukas 1997). One possible explanation of this result is the products offered in the website are mainly experiential and hedonic in nature. The losses imposed on the consumers could be primarily hedonic in nature. On the other hand, since the website offers a price as low as they can, thus, the perceived monetary or utilitarian losses are more likely to be not so important to consumers. Therefore, though perceived risk may still suppress utilitarian value, but its effect is more or less trivial.

As to the control variables, price consciousness is found to have impacts on intention at all, indicating that consumers buy in the website is primary pursuing hedonic experiences, rather than pursuing saving money. One possible explanation of this finding is that the hedonic motive is dominant in the group buying behaviour. This finding also is consistent with the previous finding mentioned above that hedonic value imposes the largest impacts on purchase intention than the other variables.

On the hand, conformity intention significantly raises purchase intention, and its effects are the second largest among the others ($\beta = 0.261$), almost equals to the effects produced by hedonic value ($\beta = 0.264$). This fact indicates that the purchasing behaviour indeed is group oriented by nature. One possible explanation of this result is the amount of people participating in group buying may also be an external cue of product quality, just like people evaluate and purchase books according to the sales ranking. Conformity behaviour could be viewed as the outcome of social influence process triggered by the needs of a desire to be accurate (Baron et al., 1996). This behaviour occurs normally in situations of making decisions under uncertainty, causing the decision makers difficult to judge accurately and choose correctly the best alternative, putting him/ her into a dilemma. Baron et al. (1996) further noted that: if judgment outcomes are important, people are more likely to undertake social comparison to search for accurate and informed answer. From such viewpoint, conformity behaviour can be said to be triggered by information asymmetry between one and the referred group of people just like the case of group buying; in other words, one may perceive an inconsistency between information owned by him/ herself and that owned by a group of people reaching a consensus in choosing an answer; therefore may give up private information, and take the collective behaviour chosen by a group of people as an external information for decision making.

To conclude, the group buying behaviour can be described as a group of people collectively pursuing hedonic experiences, and at the same time trying to control their risks involved since they are not willing to take a chance in dealing with the high uncertain environment induced by the group buying website, which might diminish their pursuing values.

It ought to be noted that this study contains some limitations and it provides an opportunity for further research in that the utilitarian value, hedonic value, and perceived risk constructs had not previously been examined in similar contexts to the extent of this study. Additionally, some of the scales used in this study have been specially modified. Therefore, the results and implications presented here must be viewed with a certain amount of reservation. While the results of the tests used to assess reliability and validity provide some level of confidence, they must be tested using different samples and multiple methods for further verification.

For parsimony, we focus on a consumers' overall risk perception. However, purchase decisions involve several specific types of risk, including financial, social, performance, psychological, and physical (Vanhamme & de Bont 2008). Moreover, these sources of risks, alone or in combination, drive consumers' overall risk perceptions (Campbell & Goodstein 2001). Therefore, future research should consider how various types of risks affect the relationship between consumers' perceived value and purchasing intention in group-buying website.

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