

User Generated Content: An Influencer in Decision Making for Online Shoppers / Online Shopping

¹Dr. Rajkumar Sharma, ²Mr. Hardik Jogi

¹Asst. Professor, Commerce, ²PhD Scholar

¹G. B. Murarka Art's and Commerce College, Shegaon Dist. Buldana

Abstract

User-generated content has been proved to be of paramount importance both for users and organizations/institutions: on one hand, people can share their opinions in an unconstrained and unbiased environment, and on the other hand, corporations can extract useful insights for their decision making processes.

Social media is a virtual community that links people around the globe through many websites such as Friendster, MySpace, YouTube, Facebook and Twitter. Many online retailers have started to conduct their businesses through social media as it is a friendlier channel and easier to monitor. Buyers would also prefer to purchase from this medium, since it is possible to get, straightforward interface and easier to read feedbacks from other buyers. Feedbacks or also known as User – Generated Content (UGC) happens when previous buyers share their experiences online, which allows others including the potential buyers to read. Based on an extensive literature review, this paper proposes a framework to investigate the influence of UGC on consumer's online product purchase intention. Findings from this study are expected to extend the literature on UGC and give benefits to marketers and online business operators

Keywords: User Generated Content, Online shopping, Factors Influencing Decision Making

1. Introduction

The Internet innovation has generated a completely new life and everything around us encountered a comprehensive change that is essential in people's daily lives. Previously things have to be done physically especially in making a purchase.

Today, consumptions and shopping activities can be done on-the-go, no matter where and when as long as consumers are connected to the internet especially when the mobile internet is available now. With the evolution of user friendly gadgets and smart phones, making online transactions now are easier. Presently, consumers have a great connect with social media, thus, in making an online purchase decision, consumers believe more on information given by other users in the social media and networks. Online consumers believe users will not only speak the positive sides of a product but the dark sides as well. This study aims to study how the buyer in online shopping can get the advantage of the information which is been generated by someone who has already been at the position.

Gone are the days when brands used to create one-way marketing campaigns for the promotion their products with the ultimate aim of sales maximization.

In the current age and time, marketing is more consumer-centric as the ultimate success lies in the hands of consumers. Brands are creating options where they can get users to interact, engage, involve and advocate their marketing campaigns.

This is based on the premise that the usage of UGC might aid and assist the buyers' decision-making and sellers' performances.

2. Objectives

- a. To have an indepth study about the User Generated Content
- b. To study how UGC influences in making of the buying decision during online shopping

3. Literature Review

3.1 User-Generated Content

User-generated content or UGC is a way in which content is created and shared by the users based on his or her experiences, opinions, ideas, or feedback. Digital platforms, specifically social media networks, are the nucleus of user-generated content. In terms of marketing, UGC is the content that is pertinent to the brand. It could be online reviews, product photographs, feedback of the customer, videos of the product, etc. As it is experience-driven and honest, UGC is known to be the most reliable, trustworthy, and authentic form of content compared to brand-pushed marketing content. These features make the marketers to strongly wish for this valuable user-generated content.

User – generated content (UGC) or also known as electronic word – of – mouth (eWOM) works exactly like common word–of–mouth except that it spreads input through an online medium. By definition, UGC refers to any own generated material uploaded to the Internet by non–media and it has a greater impact on people’s consumption where the contents are generally be shared on social media.

3.2 Online Shopping and Online Stores

Comparatively, online stores have many advantages over physical stores: They are favourable and time saving and no more traveling and waiting in lines is needed. No constraint of time and they are accessible from anywhere. These stores provide consumers with free and accurate information about products and services. They also have some online tools to assist consumers compare and take purchase decisions among various products and services. Hoffman and Novak (1996) indicated that interactivity is the key differentiating feature between marketing communication on the Internet and traditional mass media. Today online shoppers have more control and negotiation power than consumers of physical stores because the Internet offers more interactivities between consumers and product/service providers as well as greater availability of information about products and services. Geissler and Zinkhan (1998) claimed that the Internet shifted the balance of power in favour of consumers as it became very easy for them to make shopping comparisons and evaluate alternatives without being pressured by salespeople. Online stores reduce transaction costs and have advantage for both consumers and vendors. However, online stores also have disadvantages compare to brick-and-mortar stores. In online stores customers can’t have any sense about the product they see in the internet (seeing, touching, tasting, smelling, and hearing) as they search for and purchase products. In online stores, consumers may develop low trust and perceive elevated risk highly because of the lack of face-to-face communication. Although this trouble can be reduced by using certain software tools such as the online recommendation agent (Häubl and Murray, 2003; Xiao and Benbasat, 2007) and the online negotiation agent (Huang and Sycara, 2002; Huang and Lin, 2007)



3.3 Psychological Factors for buying decision:

i. Motivation

When a person is motivated enough, it influences the buying behaviour of the person. A person has many needs such as basic needs, social needs, esteem needs, security needs, and self-actualization needs. Out of all these needs, the basic needs and security needs take a top position amongst all other needs. Hence basic needs and security needs have the power to motivate a consumer to purchase products and services. UGC by any other previous buyer motivates him/her in making effective purchase decision.

ii. Perception

Consumer approach is a major factor that influences consumer behavior. Customer perception is a process where a customer gathers information about a product and interprets the information to make a meaningful view of a particular product.

When a customer sees advertisements, promotions, customer reviews in UGC, social media feedback, etc. relating to a product, they develop an impression about the product. Hence consumer perception becomes a great influence on the buying decision of consumers

iii. Learning

When a person purchases a product, he/she gets to learn something more about the product. Learning comes over a period of time through experience. A consumer's learning depends on skills and knowledge. The Learning can be gained by the inputs which are in the form of UGC by the existing user of the product/service.

iv. Attitudes and Beliefs

Consumers have certain attitudes and beliefs which influence the purchase decisions of a consumer. Based on this attitude, the consumer acts in a particular way towards a product. UGC play important role in developing the attitude & Belief by way of sharing the personal experience about the product service by the actual beneficiaries. This attitude plays a significant role in defining the brand image of a product.

3.4 Benefits of User Generated Content

Increasing Engagement and Conversion

The most obvious advantage on the list of the pros and cons of user generated content is the authenticity that it creates. As noted above, shoppers trust pictures, videos, and reviews that come from other buyers much more than content generated by marketers.

- 92% of consumers worldwide say they believe more on word-of-mouth rather than advertising.
- According to a report by Forrester, 70% of consumers consider product and brand recommendations from their social circles trustworthy and 46% trust online reviews posted by other customers. Comparatively, only 10% trust banner ads on websites.

This trust produces definite results in terms of conversion and engagement.

- 82% of shoppers believe that user-generated content is extremely vital when deciding on purchases.
- UGC can improve conversion rates 6.4% for clothing, 2.4x for jewellery, 1.7x for footwear and 1.6x for products in beauty and consumer electronics verticals.
- When UGC is included in advertising, online stores see 4x higher click-through rates and 50% drop in cost-per-click.
- Brand engagement shoots by 28% when consumers are revealed to both professional content and user-generated product video.
- Brands see 25% growth in conversions when user-generated images are used instead of professionally made product pictures by brands.

Solving the Content Crunch

A study done in 2014 manifested that the top challenge that marketer's face (36%) is generating compelling content. The next most common challenge (21%) is making sufficient content. The issue of content crunch has become much wider due to the over-explosion of content. Coming up with superlative content on a consistent basis is becoming more and more of a challenge. But through the content that customers submit, the load of daily content creation can be mitigated. Apart from, most of the UGC content springs from the daily lives of people- like a summer vacation, birthday parties, or reviews written about a recently purchased product. All of these experiences are extremely relatable, and they're usually timeless.

Aiding Discovery

Discovery is a less common concept when it comes to the advantages & disadvantages of user generated content, but it's important nonetheless.

Obviously, going to the store is not the only way to find products nowadays. Consumers now connect with brands across a multitude of touch points throughout the customer life cycle (CLC) from discovery through purchase and engagement. With mobile phones and laptops, which are now empowered by much more strong and sturdy internet connections, customers simply get into online research to find out if there is anything in the market which is similar to their taste or requirement.

This is where UGC can be a huge guide. Since its shareability which makes it a viral element on the internet. If the customer comes face-to-face with UGC campaigns or images of your product or ratings and reviews about your product during his discovery phase, they create impression of your product in his mind. And considering the truth that the number of worldwide users of social media is expected to reach some 2.95 billion by 2020, it's too important a benefit to give over.

Another mode of discover is Search Engine Optimization(SEO). One study has found that more than 30% of shoppers prefer to start shopping at a search engine. Based on this data, marketers can calculate the importance of a solid SEO strategy in driving shoppers to their product pages. UGC in the form of ratings, reviews, Q&A and even user-submitted pictures can be a stimulant in increasing site's search rankings, as customers use common terms that shoot up visibility around valuable keywords. Remember that search engine algorithms value fresh and unique content...and UGC constantly provides that. Moreover, search

engines understand the consumers' need to go through ratings and reviews. They show preference to web pages that provides review content by default, without a click.

Improving Efficiency

UGC isn't just about pictures and reviews. It also includes interaction with customers through reply to their questions as well. Whatever clear communication that you put on product packaging, people will have queries about that product. Through a questions and answers platform, if a company person or any other customers answers such questions, it can reduce calls to call centres; and thereby the service costs. On this note, user generated content has also been shown to decrease returns by supplying more information to shoppers.

3.5 Disadvantages of User Generated Content

Fielding Negative Content

Its way too easy to feel the heat of UGC, as it is managed by the users. By empowering users to post content on their website, companies are allowing them have more power in the sense that they can post a variety of things that may or may not be in favour for the company and brand image. While options like ratings and reviews moderation, visual commerce moderation questions and answers moderation—which should be a mix of automatic filtering as well as human intervention—help, there will still be negative reviews and comments that you should publish. There are many advantages of negative reviews, in fact, including increased authenticity, valuable feedback, and more. In actuality, then, this item on the list of benefits & disadvantages of user generated content can be resulted into a positive outcome.

Tackling Unknown Sources

As explained in the above point, UGC provides control to the users. But the nameless and bogus profiles that creep through the internet and social media create the risk of getting information from untrustworthy sources. Other customers may suspect the authenticity of the users who have been generating the content. The solution here is to send an invite to those within your database or email list, and provide “verified review” badges.

Understanding the Legal Tapestry

Contrary to what many believe, not everything that a user uploads on social media with your hashtag is useful. Since the only owner of that content is the unloader. Therefore, companies have to get proper permission from the user. They can do that through implicit or explicit user generated content permissions, which you can learn about in full detail here. While these rights management issues can initially seem daunting, they can be managed in a simple fashion through your visual commerce dashboard.

Clearly, just like everything in life, there are pros and cons of user generated content. But those downsides are manageable with measures like new emerging software that reduces the need for intensive labor and authentication of profiles. Looking at the tremendous impact that UGC can have on the overall functioning and ROI of the company, such measures deserve a chance. But for its implementation, getting a fair idea of the pros and cons of user generated content is necessary. This necessity becomes, even more, sharper when you get to know that only 9% of top 250 consumer brands place user-generated content directly on their product pages.

4.HYPOHESIS

UGC is any affirmative or adverse statement made by potential, existing, or former customers on a product or company, which is made accessible to a multitude of people and institutions via the Internet”.

Compared to producer-generated content (PGC) that usually appoints supporters and celebrities to speak the gains and benefits of the products, consumers have moved away from the common promotion practices as they have supposed UGC as more reliable.

The shared contents in UGC are grounded on consumers' own know-hows. As such, it is confirmed to be more reliable, useful and impartial. Prospective consumers believe the content generated by other users in respect to brands and products mainly as, they perceive the users do not have any moneymaking interest. Thus, online consumers always trust on the content generated by other users to support them in making a purchase decision. Based on the above discussion, we propose these hypotheses:

H1 : User – generated content has a optimistic effect on the perceived credibility

H2 : User – generated content has a optimistic effect on the perceived usefulness

H3 : User – generated content has a optimistic effect on the perceived risk

4.1 Perceived Credibility

Today's online consumers perceived and understood that contents generated by other users as more credible than the content provided by the sellers. The parties/users involved in UGC view each other as a highly credible source of information. Ohanian (1990) defined credibility as communicator's positive characteristics that is able to influence receiver acceptance of certain information, and able to provide correct information to other users. Credibility mainly comprises expertise and reliability. Thus, it can be postulated that credibility may impact internet users' attitude towards the content generated by others. There were arguments regarding the credibility of the unknown source where their level of expertise is in question. However, it was proven in the study conducted by Hansen, Jin and Lee (2014) that consumers prefer UGC rather than the traditional promotional methods due to the users' honest opinion. This statement can also be supported by another study conducted by Manap and Adzharudin (2013). These authors found that this method is increasingly popular in tourism industry and recognised it as an official marketing strategy. To conclude, if the consumers positively support and trust the information regardless of who the sources are, the consumers can easily be persuaded to purchase the products. Thus, we suggest the following hypothesis:

H4 : Perceived credibility has a optimistic effect on attitude towards UGC

4.2 Perceived Risk

Risk is an uncertainty that is normally unavoidable unless online consumers have former knowledge and experiences to allow them for not making a wrong decision. A high-risk perceiver would always conduct information seeking by gaining input from UGC as a common practice particularly in purchasing either a new product or a costly product due to the concern involved. Perceived risk is subjective to different users as individuals would have their opinions on matters and might have past experiences. Perceived risk is defined as consumers' level of doubts regarding the outcome of online purchase decision. However, the risks can be decreased if the online consumers are able to get and apprehend the information about the intended purchase product before making the purchase decision. There are different types or aspects of perceived risk such as performance risk, psychological risk, financial risk, privacy risk, time risk, social risk, source risk and overall risk. Therefore, we suggest this hypothesis:

H5 : Perceived risk has a negative effect on perceived usefulness

4.3 Perceived Usefulness

Perceived usefulness can be a factor that will effects online consumers to respond to the information provided by others, affect their attitudes and lead to purchase the conversed product. Users view information given by other users as "user-friendly" where the content is easier to understand irrespective of the length of

the information. Perceived usefulness is defined as the level to which a person trusts that the use of a system would develop one's performance. In this study, perceived usefulness is operationalized as the overall wealth of usefulness of the message or information shared by other users on social media. For this study, usefulness is also associated with quick, efficient, and ease. The contents generated on the social media are based on users' own experiences. The shared information can ease the online consumers to lessen their perceived risks in making decisions. Other than that, UGC also helps the online consumers in receiving all the information in lesser time and obtaining quick feedback direct from the sources. Hence, we propose this hypothesis.

H6 : Perceived usefulness has a optimistic effect on attitude towards UGC.

4.4 Attitude towards UGC

Customer's favourable attitude will lead to buying intention and attitude of a consumer frequently changes according to behaviour, demographic, motivation, satisfaction/dissatisfaction, reference groups, purchasing scenario, selling environment, innovation of product, and technology advancement. Shergill & Chen mentioned in their study where a satisfying and pleased experience in online shopping will make the buyers have a optimistic attitude. Previously, in traditional setting, ambient and environment of the retail outlet will be able to attract the consumers. Therefore, for online shopping, the arrangement should not be too dull. This will make browsing for information created by other users more appropriate and online shopping experience will be more satisfying and less stressful. Positive consumer's attitude towards content generated by others and browsing experience will improve the probability of purchase.

H7 : Optimistic user attitude towards UGC will influence buying intention

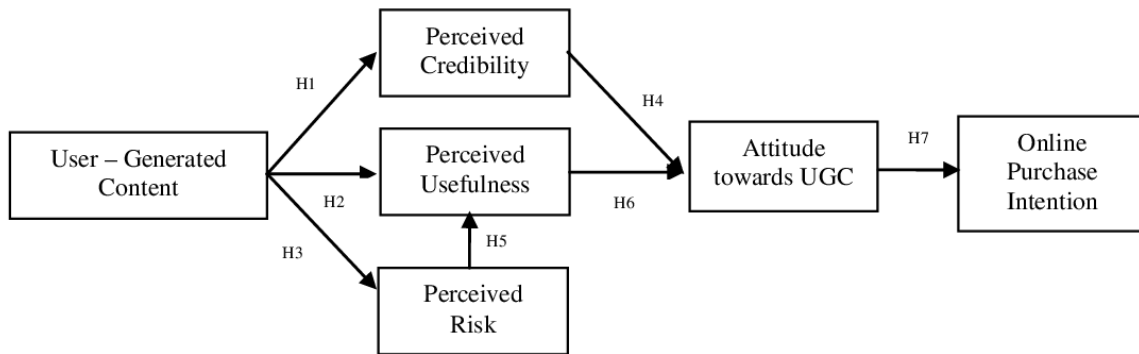
4.5 Online Purchase Intention

Typically, consumers today would usually log on to social media to pursue for product information and previous customers' feedbacks before they decide the purchasing as they trust more on the content generated by other users on social media. This is due to other users usually have the experiences on the intended purchase products, which will help the potential buyers in making their purchase decision. Uncountable pictures and videos of the products can be seen on the social media. The reviews are uploaded either by the sellers or by other users. Consumers would generally purchase an item after they have read through all the personal information generated by other users on the platform and assure enough with what they have investigated.

5. Conceptual Model

Commonly, consumers would search for product information prior to the purchasing and that is what being recommended in previous study conducted by Mir & Rehman (2013) in which the researchers had combined various theories to come out with their framework such as; Technology Acceptance Model, Theory of Reasoned Action and Theory of Planned Behavior. With modification and changes, the researchers have restructured the outline by adding two other variables; Perceived Risks and Online Purchase Intention. In researches conducted by Featherman & Pavlou (2002) and Horst, Kuttschreuter, & Gutteling (2007), it was found that UGC will help to reduce the perceived risks whereby the information generated will assist the potential consumers in making the right choice.

DIAGRAM OF CONCEPTUAL MODEL



6. Methodology

To collect data on the proposed model, a self-directed questionnaire along with the copies of printed version of the selected social media interface will be used. In this study, a non-probability sampling frame for the stipulated population will be undertaken based on a Quota Sampling Procedure approach. The approach is chosen, as it would able to ease the researchers in understanding the online purchase intention of consumers from various geographical areas and backgrounds. The printed copies of the selected socialmedia interface will assist the respondents in answering the questionnaires. Respondents will be instructed to peruse the printed copies for a few seconds before filling up the questionnaire. The answered questionnaires will be analysed using Statistical Package for Social Science (SPSS) and Structural Equation Model (SEM).

7. Conclusion

Word – of – mouth (WOM) and User – Generated Content (UGC) are not new research areas as many studies had been conducted since 1960’s and the early of year 2000 respectively. UGC is an activity of online users self – express themselves through sharing their views, opinions and feedbacks on what they have consumed or used. The contents are usually shared on social media because they believe the shared information will help others in making their purchase decisions. The previous studies mainly emphasised on people seeking for information in assisting themselves in making a purchase decision and also share their views on other’s videos on but rarely on other social media mediums. Thus, this proposed study purposes to understand how UGC can influence social media users to purchase products promoted and reviewed on social media and the content provided by unknown users influence one’s decision to purchase. Judging at the current economic scenario with uncountable numbers of different social media sellers, inputs from others will definitely influence a person’s decision to purchase.

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