

# An Appraisal of Social Network Media Use for Online Group-Buying in South Africa

Zinia Erin Adriaanse Samuel C. Avemaria Utulu and Kosheek Sewchurran, PhD

## I. INTRODUCTION

**Abstract**— South Africa's socio-economic modernization has led to the adoption of a variety of ICT based consumer goods marketing practices. One of the contemporary ICT based consumer goods marketing practices which is fast becoming popular among South African consumer goods and services firms and consumers is the online group buying. This research was therefore carried out in order to do an empirical appraisal of online group-buying in the South African consumer market using examples from the Western Cape Province. The study's primary objectives are to examine the social phenomena underpinning the use of social networking platforms—Facebook and Twitter by merchants, vendors and consumers who participate in online group-buying in South Africa and to examine the benefits they derive and challenges they face. The research is qualitative and therefore, adopted exploratory 'soft-systems' approach that was based on the principles Soft Systems Methodology (SSM) developed by Peter Checkland in 1999. The study revealed that merchants' use of Facebook and Twitter is limited. It also revealed that the reach which group-buying vendors have on Facebook and Twitter in terms of the number of their Facebook and Twitter members (merchants) influenced merchants' choice of vendors to manage their online group-buying campaigns. The study also revealed that vendors are not able to use Facebook and Twitter in a ways that encourages merchants to join their online networks and to engage them to manage their online group-buying initiatives. Particularly, the study revealed that online group vendors did not handle the communicativeness of their own websites and that of Facebook and Twitter in manner that their communication richness can be harnessed for the purpose of online group-buying. This hampers the social aspect of online group-buying and prevents vendors from appropriately sharing required and available information about group-buying deals to members within their online networks. The research also revealed that there is room for improvement in the ways Facebook and Twitter are being used for online group-buying campaigns in South Africa. As a result, conclusion was reached and recommendation preferred.

**Keywords**—Online Group-Buying; Social Network; South Africa.

Z. E. Adriaanse graduated with an Honours from the Department of Information Systems, University of Cape Town, South Africa.

Samuel C. Avemaria Utulu is a doctoral student at the Department of Information Systems, University of Cape Town, South Africa. He is on study leave on from the Redeemer's University (RUN), Ogun State, Nigeria. ([Samuel.Utulu@uct.ac.za](mailto:Samuel.Utulu@uct.ac.za); [Charles.utulu@gmail.com](mailto:Charles.utulu@gmail.com)).

Prof. Kosheek Sewchurran is a professor in information systems at the Department of Information Systems, University of Cape Town. He has passion in training students at all level of information systems education in systems thinking, business process engineering and software industry competitiveness and enableness. (e-mail: [Kosheek.Sewchurran@uct.ac.za](mailto:Kosheek.Sewchurran@uct.ac.za)).

South Africa's socio-economic modernization has led to her adoption of a variety of ICT based consumer goods marketing practices. One of this contemporary ICT based consumer goods marketing practices which is fast becoming popular among South African consumer goods and services firms and consumers is the online group buying. The term group-buying as recorded in the literature refers to products and/or services offered to consumers at significantly reduced prices, on the basis that a minimum number of consumers make a collaborative purchase, and that they do so within a limited time frame [1 & 2]. Consequently, group-buying is based on two main tenets: number of collaborative buyers and the time frame required to make the purchase. The concept has been applied when describing the scenarios in which collaborating traditional retail stores negotiate for discounted prices on goods from suppliers once they are able to purchase large enough quantities of stock within an agreed time frame. The underlying advantage of this kind of purchase is that cooperating retail stores are able to offer these goods to the consumer at lower prices than their competitors, and thereby increase their turnover rate [3 & 4]. Because of its benefits, the group-buying concept has also been applied by retailers in online platforms and has been referred to as online group buying. Online group-buying allows retailers to carry out online collaboration in order to qualify for discounted deals and purchases [5 & 6]. The literature has revealed that since 2009, there has been a significant increase in the number of websites which specialise in online group-buying services [7, 8, 9, 10 & 11]. This increase has not only been detected on a global scale, but has, more recently, also been observed in the South African consumer market [12].

The rapid expansion of websites offering group-buying services has been attributed to the increase in people's interest in sharing information about their products and services across online networks [13, 14 & 11]. It has also been revealed in the literature that social networking platforms possess the capabilities that enable them to provide online based applications that can support interactions between people who share common business interests [15 & 16]. Apart from this, the social aspect of online group-buying services is also well catered for by social networking platforms through its communicative and interactive capabilities. Claims that people's growing interest to share information online, and the communicative and interactive nature of social network media are the factors that are propelling the growth of online based group buying have been postulated by Dholokia [17] and Rick [18]. The literature has further revealed the impact of a number of factors which tend to influence consumer behaviour when making online purchases [19, 20, 21].

However, little research has been conducted to determine whether these factors, specifically, the interactive aspects of social networking platforms, have influence on consumers who participate in group-buying.

The objective of this study therefore, is to examine the current use, and the effectiveness of two social networking platforms namely Facebook and Twitter when employed by firms offering online group-buying services in South Africa. The study thus follows an exploratory approach in order to achieve the following specific objectives:

- To examine the current usage of Facebook and Twitter by identified online group-buying vendors in South Africa.
- To examine the benefits gained, and challenges faced by customers and merchants who participate in the group-buying service.
- To use the results of this investigation as a basis for making recommendations so that social networking platforms through insights given by Facebook and Twitter could be used more effectively for group-buying in South Africa.

The results of this study is beneficial to stakeholders who wish to gain better understanding of the situation of online group-buying in South Africa. Ultimately, the outcome of the investigation enabled the researcher to put forward recommendations that will presumably lead to the use of social networking platforms in more efficient and effective manner by stakeholders.

## II. LITERATURE REVIEW

Monahan [4] and Lee & Rosenblatt [3] highlighted the following potential economic benefits to the retail vendor making use of group buying:

- Larger individual sales orders which enable the vendor to reduce the annual order processing costs.
- Larger orders meant fewer manufacturing set-ups and increased manufacturing cost savings.
- Larger orders allowed for the vendor to pursue transportation discounts which were not necessarily available on smaller orders.

The economic benefits associated with larger orders of a product during a group-buying scenario may have been apparent to the vendor because of the challenges the vendor may have faced when trying to incentivize the customer to purchase merchandise in greater quantities. Using the correct pricing model, group-buying was found to be economically beneficial to both the retail vendor and the customer [4 & 3].

In more recent years, the traditional discount pricing model has been applied in an online environment, and has also been used as a core business model for many Internet-based commercial services [22]. Due to e-market's ability to reach a large number of buyers and sellers from different areas, and the relatively low operational costs associated with it, the traditional pricing model has been further extended to include dynamic pricing mechanisms of online based business [22]. The dynamic pricing mechanisms allows for increased consumer participation in the price-setting process, in that the consumers are provided with price-based incentives for

volume purchases; while also maintaining the core principle of the traditional discount pricing model, [23]. The first online retailers to adopt a dynamic pricing model offering group-buying discounts allowed consumers to effectively group their purchase volumes together in order to obtain a discounted price on the product being purchased. This concept was initially applied to online markets in a way that essentially mimicked traditional auctions. The key difference between the evolving online market pricing system and the tradition auction sales during this early stage was that prices decreased as the number of orders (or bids) increased [22]. Despite the concept of group-buying discounts being relatively new at the time, Kauffman & Wang [22] went on to test a model which predicted the behaviour of the buyer and obtained a greater understanding of the complexities which were inherent in modelling such behaviour. Similarly, this study examined the group-buying discount phenomenon from the buyer's perspective only, and the influence the discounted price had on the buyer's online behaviour.

Also, in a study conducted by Anand and Aron [23] the online group-buying phenomenon was found to be underpinned by components derived from the seller's perspective. The authors used analytical modelling to compare the interaction of pricing decisions and profits made by the seller. The examination of the literature failed to reveal research conducted on any factors other than pricing as influential in the behaviour of those parties involved in the "group-bought" transaction. This gap in the existing literature provides an opportunity for research into understanding whether the participants are influenced by any other factors – in addition to the perceived economic benefits – when making use of online group-buying services. Online networks were found to be formed between parties who would interact in a face-to-face environment, and used these social networking platforms as a means to remain in frequent contact with each other [24]. These networks were formed between members who tended to trust and rely on each other, and were used to provide information that other members would find useful and reliable [24]. The ability that social networking platforms has to enable members to share experiences amongst those who are perceived to share the same values or needs, is cited as being the catalyst for major e-commerce websites to focus on increasing social features throughout the online transaction process [25]. Social networking sites have been listed as one of the technologies which has "altered the concept of web content contribution, provided new means for users to generate content, and made the web more social and interconnected, p.1" [20].

Recent trends reported in the literature reveal that companies which offer online group-buying services has dramatically increased in number since the launch of the first website that provided the platform for online group-buying in 2008 [8, 26 & 11]. This rapid expansion has been attributed to the rise in popularity of social networking platforms and the ability for people to easily share information about such services across online networks supported by Internet based social media [34, 14 & 11]. So, while the popularity of group-buying services seems to be increasing due to the ease by which information about discounted deals and services can be

shared amongst members of a social network, previous research have warned that observers should exercise some. The importance of understanding the relationship between the members of a social network who use social media to advertise products and services has been postulated. The reason why understanding should be sought about participating group members is their ability to influence, either positively or negatively, the products being promoted [24 & 20].

Recently the literature has confirmed a worldwide increase in e-commerce transactions [27, and 28]. As discussed by [28], statistics released in the *State of Retailing Online2007* report showed that e-commerce sales in 2006 grew 25 percent over sales during 2005. This exceeded earlier projection that was put at about 20 percent growth rate. Kameshwaran and Benyoucef [28] further revealed an outstanding growth of 54 percent in 2007 in the UK alone. A more recent version of this report showed a continuation of this trend as a 29 percent average growth in online sales was reported in 2009. The South African consumer market has also revealed a similar increase in its participation in e-commerce transactions. A 40 percent growth rate in online retail trade is therefore expected for the year 2011 [29] (Online sales accelerate in South Africa, 2011).

A study conducted by , Sage Pay, a notable online payments provider revealed that despite the increase in online transactional activities, only a small percentage of visitors to an online store would actually follow through on making a purchase – in fact, only 7 percent would actually make a purchase in on online store [7 and 30]. However, this figure accelerated to 71 percent for those visitors who were directed from a social networking site [7 and 30]. Evidence in the literature exists suggests that online buyers' decisions may be influenced by social factors which extend beyond the perceived economic benefits of online purchases [19 & 21]. It is the researcher's expectation that narrowing the area of investigation from all e-commerce transactions to online group-buying websites will help to determine whether any factor in addition to the price discount being offered, has influence on the customer's decision to make the purchases. The results of the study would hence, be beneficial to stakeholders who wish to gain a greater understanding of the factors that interplay with online group-buying transactions. This is particularly relevant in the South African market which has seen a rapid increase of websites offering group-buying services over the course of the last two years [11 and 12]. There is also an expectation that the result of this study would provide greater understanding of aspects of online group-buying phenomenon to those seeking to promote it within South African. Already, concerns have been raised that the South African group-buying market is saturating and that it is beginning to accommodate a number of new-comer establishments [11 & 12].

### III. METHODOLOGY

Since the primary objective of this research is to enhance our understanding of the social phenomena underpinning online group-buying in South Africa, there exists strong reason to

use the soft systems methodology as a research approach. This is because soft systems approach places priority on learning about worldviews and perspectives of each stakeholder and gaining an understanding of the sense of values of all those involved in a certain situation. It was presumed that soft system approach allowed the exploration of the perceptions of online group-buying stakeholders in South Africa. The ultimate goal of such an approach is to explore the perceptions and experiences of the all stakeholders concerned with a particular problem, in order to bring about an improvement of the situation [31]. Therefore, the interpretive perspective is underlying philosophy which was applied in this research [32 and 33]. Since the purpose of this research is to obtain a deeper understanding of non-quantifiable factors and their influences on buyers who adopt group-buying services, a soft systems approach was therefore adopted as the study's methodology. Soft Systems Methodology (SSM) is a research approach developed by Peter Checkland as a result of his attempt to model management problems using systems engineering methodology [34]. The principles of SSM make it particularly suited for research situations where research subjects with different or conflicting views are involved [34]. The perceptions of each subject are formed by their individual experiences in the world, and these form their respective worldviews [35].

A combination of judgment and snowballing sampling methods provide the basis for adopting non-probability sampling technique for the study. The targeted population was divided into following stakeholder categories:

Vendors: South Africa based companies that manage group-buying websites. About 20 companies were identified to be operating in major cities across South Africa.

These vendors have been purposely selected based on the following criteria:

- the social networking platform(s) they have subscribed to,
- the number of years the vendors have been in operation,
- the number of subscribing customers on the vendors' respective social networking sites, and
- the geographical locations where the vendor operates.

In all, 8 vendors were approached to participate in this research study. Due to their unavailability during the course of the study for interviews their websites were used as primary means for collecting data about their group-buying management activities.

Customers: The customers that participated in this research were purposively selected based on their affiliation with participating vendors' websites. This was arrived because each vendor's website uses a Facebook widget which displays the number of members within their social network and the means they adopt to communicate directly with these customers. Initially, a message was sent using the Facebook application and provided the recipient with an overview of the research study. This message included a link to an online questionnaire containing a mixture of open-ended and closed questions which the recipient was invited to complete.

Approaching these members in this way provided a guaranteed means for the researcher to reach customers who were both familiar with the group-buying phenomenon and who were members of a social network. A total of 35 respondents completed the electronic questionnaire. Only 12 of them indicated that they had participated as customers in a transaction facilitated by a group-buying website and that they have had contact with at least one social networking platform. In the end five of the 12 selected respondents were invited to participate in the study's interviews.

Merchants: Online group-buying vendors present online group-buying deals from merchants who operate across different industries. Using the information available on the selected vendors' websites, the researcher identified that the highest amount of deals presented to customers were those which spanned across the following industries: arts and entertainment, food and dining, health and beauty and travel and accommodation. Potential participants were contacted directly either telephonically or by means of email to invite them to participate in the research. In the end, 5 merchants participated in the interview conducted for the study. 10 interviews were conducted for this study as show below

Table 1  
List of selected participants which were interviewed during the research study

S/N	Participant	Stakeholder Category	Frequency of Group-Buying Participation	Social Network	Industry	Role within Company
1.	Participant A	Customer	Less than five times within the last 6 months	Facebook, Twitter	n/a	n/a
2.	Participant B	Merchant	Less than five times within the last 6 months	Facebook, Twitter, LinkedIn, YouTube	Entertainment	Online Market Manager
3.	Participant C.	Merchant	Less than five times within the last 6 months	n/a	Restaurant	Owner
4.	Participant D	Merchant	Once	Twitter	Restaurant	Sales and Retail Supplier
5.	Participant E.	Merchant	Other	Facebook, Twitter, LinkedIn, YouTube	Retail	n/a
6.	Participant F	Customer	Never	Facebook, Twitter, LinkedIn, YouTube	Travel and Tourism	n/a
7.	Participant G	Customer	Once	Facebook, Twitter	Research	n/a
8.	Participant H	Customer	At least once a month	Facebook, Twitter, LinkedIn, YouTube	IT	n/a
9.	Participant I	Customer	Less than five time within the last 6 months	Facebook	Real-Estate	n/a
10.	Participant J	Merchant	Once	n/a	Accommodation and Real-Estate	Owner

#### Data Collection

Different methods of data collection were used to collect data from the different groups of respondents represented in the study. Data from the vendors that took part in the study were collected through observation that led to content extraction from their respective websites. An online questionnaire and interview was used to collected data from the merchants and customers stakeholder categories. The questionnaire was digitally distributed by means of email, and responses recorded and stored using the Form functionality of the Google Documents web-based application. The questions were structured in a way that allowed the researcher to clearly distinguish between those who were familiar with the group-buying concept and those who were not. The questions also allowed the researcher to group the respondents into the different stakeholder categories as defined for the purposes of this research study.

#### IV. ANALYSIS OF THE PARTICIPANTS PERSPECTIVES

The initial understanding of the situation of concern was formed based on the action researcher's personal experience as a customer participant in a group-buying transaction. During this period of interaction with the group-buying vendor, very little was understood about the origin of group-buying services. Additionally, the researcher was concerned about the rapid increase in the amount of group-buying websites which have been established to target the South African consumer market [12]. In order to address the first intermediate research objective, it was necessary to examine the current usage of social networking platforms, specifically Facebook and Twitter, by certain online group-buying vendors operating within South Africa. The results are shown in the Table below.

Table 2  
Description of Vendors that Participated in Online Group-Buying

S/N	Vendor Name	Website URL	Social Networking Platform Used	Year Launched	Geographical Location	Associated Members Based on Social Network Platform	
						Facebook	Twitter
1.	CityMob	<a href="http://www.citumob.co.za">www.citumob.co.za</a>	Facebook, Twitter	2010	Cape Town, Johannesburg, Durban,	36,780	126
2.	UbuntuDeal	<a href="http://www.ubuntudeal.co.za">www.ubuntudeal.co.za</a>	Facebook, Twitter, LinkedIn	2010	Pretoria, Bloemfontein, East London, Port Elizabeth, Ubuntu Travel, National	7,080	626
3.	Groupon SA	<a href="http://www.groupon.co.za">www.groupon.co.za</a> <a href="http://www.twango.co.za">www.twango.co.za</a> <a href="http://www.mycitydeal.co.za">www.mycitydeal.co.za</a>	Facebook, Twitter	2010	Cape Town, Pretorial Johannesburg, Durban, Bloemfontein, Port Elizabeth, Nelspruit, Pietermaritzburg, Soweto, Stellenbosch, East London, Travelcity, National	12,399	1,956
4.	OneDayOnly	<a href="http://Onedayonly.co.za">Onedayonly.co.za</a>	Facebook, Twitter	2009	Online (South Africa)	697	535
5.	WiCount	<a href="http://www.wicount.co.za">www.wicount.co.za</a>	Facebook, Twitter	2010	Cape Town, Pretorial Johannesburg, Durban,	6,678	985

6.	UCit	www.ucit.ca.za	Facebook, Twitter	2011	Cape Town, Johannesburg, Durban, UCit-Escapes	393	674
7.	Dealify	www.citivouch.co.za	Facebook, Twitter	2011	Port Elizabeth, Nelspruit, Pietermaritzburg, Soweto, East London, Travelcity, Gateways	3049	443
8.	CityVouch	www.cityvouch.ca.za	Facebook	2011	Cape Town	12	n/a

The data above reveals that the number of registered people registered on each participating vendors' social network platform was diverse. The researcher would have gained a greater understanding of how these platforms are being used to the vendors' advantage in promoting the various group-buying services if they were for interviews during the course of this study. Nevertheless, the information gleaned from the websites reveal that these vendors are distinguishable from each other by primarily the amount of members they have in their social network and the geographical locations in which they operate. It was also disclosed that all the vendors are young in the business, the oldest being about three years. It was the researcher's intention to examine whether these specific aspects would play an influential role in the motivating the customer and merchant stakeholders to participate in group-buying.

### Customer Perspectives

#### Participant A

Participant A provided a customer perspective as she had participated in group-buying by purchasing a discounted deal or service through a vendor website. She indicated that she had participated in group-buying a number of times over the previous months. She also reported that was active on both Facebook and Twitter, yet her introduction to group-buying was provided by means of an email forwarded to her by a friend, and not through any means facilitated by the aforementioned social networking platforms.

The participant revealed that the primary factor motivating her to participate in group-buying was not related to the association with her friend who shared a link to a special deal with her. The participant claimed that this social aspect: *"didn't influence my decision at all...[but that the] discounted deal was obviously of interest, because generally we do like saving on any expenditure, so this interested me...and definitely looked like it was worthwhile signing up."*

Participant F indicated that the internet was used on a daily basis for both everyday life (personal and official) and social purposes. The participant was employed in the tourism industry and used the internet predominantly for finding information needed to assist her in her official capacity. The participant maintained a profile on a number of social networking platforms such as Facebook, Twitter, Google+ and MySpace. However, Facebook was used *"a lot for socializing"* and for research and sharing information about things she was interested in, and to *"get updates and information on what's going on and events"*. Even though the participant was not constantly active on Facebook during the working day, she constantly had it loaded in a browser tab and it *"was always there in the background"*.

From the participant's response to the online questionnaire, the researcher became aware that the participant had never participated in group-buying even though the participant had a clear understanding of the group-buying concept. The

This feedback corresponded with the assumption held by the researcher and also corroborated findings in the literature that highlighted the economic benefits that influence participation in group-buying phenomenon [23, 17 and 22].

However, the researcher also reflected on studies by Hart [19] and Rad & Benyoucef [20] which suggested that factors which extend beyond financial gains could also be influential in a customer's online behavior. The experience of Participant A revealed that despite being introduced to a particular group-buying vendor by an email from a "friend", this social bond between the participant and her friend did not allay the suspicion the participant had when visiting the vendor's website – the participant still deemed it necessary to *"research the site before signing up"* and purchasing the deal through the website. In addition to the initial uncertainty the participant felt when participating in the group-buying transaction, there was an initial concern that the service she would receive from the merchant when redeeming the voucher, would be of a lesser quality than if she were to have visited the establishment as a customer who would be paying the full price for the service. However, this concern was not validated on redemption of the service from the merchant.

#### Participant F

After reviewing the interview conducted with Participant A, the researcher expanded the set of questions used to uncover the customer stakeholder perspective on group-buying. Consequently, Participant F was encouraged to share some information about the role the internet played in her daily activities before discussing her perspective on the group-buying phenomenon. The researcher realized from the outcome of the pilot interview, that it would be necessary to establish the importance of using the internet, and more specifically social networking platforms, from the stakeholders' perspective in order to achieve the research objectives.

revelation that the participant was admittedly active on Facebook afforded the researcher the opportunity to try and uncover why this particular participant chose not to partake in any form of group-buying. This afforded the researcher an opportunity to try and understand the link between popularity of social networking platforms and the rapid expansion of the number of group-buying vendors. Rick [18] and Steiner [11] attributed the rise in the number of vendors offering online group-buying services to the popularity of social networking platforms and the ability it afforded people to easily share information across their personal networks.

Participant F revealed that she was introduced to the group-buying concept through a friend who shared a link with her using the Facebook platform. The site linked to was one of the more popular vendor sites, and she signed up to receive daily emails from this vendor and also joined the vendor's Facebook group. Through these two mediums the participant was kept updated on the daily group-buying deals on offer.

Despite being aware of the daily deals promoted by this particular vendor, the participant revealed that the factors preventing her from participating in a group-buying transaction was the **online payment methods** the vendor provided to the customers. The payment methods allowed the customer to purchase a voucher directly from the vendor's website, however only credit card and EFT payment methods were provided to the customers. This presented a significant hurdle as the participant was not able to effect payment using these methods, and agreed that it left her feeling side lined "*especially when there are good deals*" that she is not able to purchase.

### **Participant G**

The same interview process and questioning pattern as was applied in interviewing Participant G as was used in interviewing Participant F. The participant unpacked the role which the internet played in her social and professional life. The participant was employed in a capacity which required that she use the internet for research purposes and search engines played an important role in accomplishing this purpose. Consequently, Participant G indicated that she was "*basically on the internet most of the day*" and result of her work schedule that required that she should use the Internet. In addition to maintaining a personal weblog, the participant used Twitter on a daily basis as it provided access to "*great links to stories or great ideas [sic] happening*". The participant expressed the importance of using this platform by revealing that "*no one really knows that I am around or that I exist and I don't get any communication otherwise, so I won't know what is happening on the weekend or if anyone is actually going out on that day*". From the participant's perspective, the Twitter platform played an important source of information and knowledge about social events, and was therefore, used for recreational planning. Participant G did not use Facebook regularly.

The online questionnaire filled by Participant G's revealed that she had a clear understanding of the group-buying concept and had participated only once in the service provided by a vendor. The researcher's intention in selecting Participant G as an interview candidate was to determine why the participant did not partake in group-buying transactions more frequently and to elicit the experiences she had with her only participation in online group-buying. Participant G revealed that even though she was aware of a number of group-buying vendors for a while before actively participating as a customer. It was, however, through a link shared directly with her on Twitter that she was motivated to purchase a particular deal. A noteworthy aspect of this interaction is that the person who shared the link with the participant was someone she had "*met once or twice*". The participant's response made a clear distinction between the person who shared something with her on Twitter and her friends, which she indicated would "*email me group-buying deals*" but these would not be enough to convince her to participate in the transaction. The researcher probed this aspect in order to understand whether there was a greater attachment to the person who shared the information using the Twitter platform or whether the platform itself made it more conducive to accepting the invitation to purchase the

group-deal. However, the participant revealed that it was really the nature of the deal itself which motivated her to participate in the transaction. "*I saw something I was interested or might like and I decided that I'd finally register.*" Through this perspective, the participant revealed that the person and social networking platform used to promote the group-buying deal were not significant factors in making a decision to partake in a group-buying transaction; rather it was the deal itself which served as the motivating factor. The participant did not highlight any economic factors as influential in making her decision to participate in the transaction. However, the participant revealed that the payment process for customers who did not have access to a credit card or electronic payment platform, involved visiting a bank's branch office in person and depositing cash into the vendor's bank account. Despite the manual effort involved in making payment, Participant G, unlike Participant F, did not see this as a factor which discouraged her from participating in group-buying. She also revealed the real reason why she did not participate regularly in group-buying:

*Honestly, I feel like the group buying deal emails are a bit like spam at the moment. I feel like I should have ticked some boxes saying this is what I am interested in, only send me emails regarding these types of hobbies or services. Now, I am getting all types of emails at odd hours and it's nothing that I would want to buy; nothing that I am interested in.*

The participant also stated that this exposure to email notifications about deals which were not of any interest to her is what has prevented her from being associated with any group-buying vendor on the social networking platforms which she regularly uses: "*I honestly wouldn't follow them on Facebook or on Twitter...It feels like spam. Useless information and I just can't deal with it anymore.*" She also expressed her displeasure at the online interaction a customer would be subjected to when visiting a vendor's website. Since the vendor required that the customer revealed their email address before being allowed access to view the available deals, Participant G felt "*tricked into signing up for it*".

### **Participant H**

Participant H indicated that his profession required that he used the internet on a daily basis, and estimated about ten to eleven hours of internet use per day. As a person who worked with web-based applications, he found it "*absolutely a necessity to use the internet*". The online questionnaire responses provided by Participant H revealed he fully understood the concept of online group-buying. It was gathered that he was a member of a number of social networking platforms, particularly, Facebook and Twitter. His feedback also reflected that he was a regular customer participant in group-buying – as he had listed the frequency of participation as 'at least once a month'. However, during the interview, the participant revealed that in reality, he purchased about 5 vouchers per month, and these were purchased from different vendors and ranged across different industry categories.

The researcher selected the participant for a follow up interview because of the frequency with which he partook in group-buying. It was assumed that his group-buying experiences would allow the researcher to gain an understanding of the factors that influenced his to regularly adopt group-buying. The researcher's intention was also to reach a deeper understanding of the online interaction between the participant and the vendor, and whether the participant was inclined to choose one vendor over another as a result of this online interaction. Due to the relatively frequent participation in group-buying by Participant H, the researcher also expanded the set of interview questions to probe the interaction between the customer and merchant.

The initial interview questions were designed to gain a better understanding of the participant's use of the internet, and more specifically, the Facebook and Twitter social networking platforms. The participant revealed that both platforms were used on a daily basis; although, having only joined Twitter recently, the participant indicated that he used Facebook more frequently than Twitter. The primary reasons he used these platforms were to *"keep up with friends, see what's going on, what everyone's up to"*. Participant H was first introduced to group-buying vendors through online advertisements and "pop-ups." He had also noticed the vendors' ads on the right-hand panel on Facebook, however it was the advertisements which appeared on the other sites which appealed to him and eventually convinced him to click through to the vendor's website. The participant found that the advertisements were *"targeted specifically to a person [sic] in their geographic area"*, as the advertisements often displayed messages revealing *"this deal in Cape Town"*, which is the area in which the participant resides.

Similarly to the experience recounted by Participant A, Participant H initially viewed the group-buying advertisements with scepticism. However, the participant was motivated to participate in the group-buying transaction, because it was being supplied by a local merchant, in Cape Town. The participant reflected on his initial scepticism with group-buying as follows:

*since it was something local, you know, in Cape Town – they're listing a local business, I thought, you know, well, if something does go wrong, and if I do get conned, I probably have a better chance of sorting it out since it is local. And then I tried it out and everything was as promised, and from there I had a lot more faith in indulging in these ads, and just started buying more and more ads as they appealed to me. Or rather more and more deals as they appealed to me.*

The participant described the process involved in group-buying deals as *"relatively easy and painless"*. The researcher used the interview as an opportunity to uncover the factors that motivated him to participate in group-buying deals. It was revealed that his decision was primarily motivated by the deals' attractiveness which motivates him to ask himself the following questions: *"Is it something I really need? Or want? Or want to give a try? Or something like that. If it is, I'd give it a g."* before deciding on whether to purchase the deal or

not. Even though the cost saving associated with purchasing group-buying deals did not seem to be an important factor in the decision making process for Participant H, he revealed that this played a role in the experience he had as a frequent participant in group-buying:

*It gives me the chance to go to restaurants that I otherwise wouldn't normally have gone to. It gives me a chance to try them out at a reduced price to see if I like them. And what most often happens, is that if I really liked it, I end up going back, you know, even without the voucher. It has happened a few times before though, that I did go to a place, you know, tried them, and didn't like them and then just didn't go again. So, ja, for me it's a nice way to try out different services and restaurants and that kind of thing.*

Participant H also revealed that he appreciated the daily email notifications received from the vendors as these allowed him to remain updated on the different deals on promotion. Despite being subscribed to a large number of vendor newsletters, which resulted in him receiving daily updates from each of them, he was able to manage this influx, using appropriate mailbox filters, in a manner that still allowed him to benefit from the notifications. However, a unique dimension to his experience was that friends also notified him of deals and these were often distributed as emails, encouraging each other to purchase the voucher and visit the merchant *"as a group"*.

Participant H expressed a similar sentiment as did Participant G with regards to forming associations with group-buying vendors on social networking platforms. He recounted his initial experience which resulted from his interaction with vendors on social networking platforms:

*I used to initially [subscribe], but it started flooding my newsfeeds so I unsubscribed from these feeds...Some of them tend to go overboard because here's quite a few of them that have quite a couple of deals going each day. Besides the posts for those [deals], they also have other posts in between – the usual marketing stuff in between – and media relation kind of thing. All of them combined...eventually turns into spam on the social networks.*

Participant H preferred instead to access the emailed notifications from the vendors *"at his own leisure"* without *"feeling forced"* to look at them.

#### **Participant I**

Participant I indicated that he used the internet daily *"for business, personal, education"* purposes. His profession in the real-estate market required that he use the internet to see which properties were available and to keep abreast of what was happening in the financial markets. There was also an element of online socializing, for which he used Facebook for. The participant mentioned that his use of Facebook was not regular and that he was *"scaling down"* on his use of it as some aspects of it, for example, being notified of friends buying a *"virtual cow"*, were at times *"annoying"*. However, the participant realized the importance of maintaining a social



network profile as clients used this information when marketing properties. He also found Facebook ideal for contacting friends who lived in the UK as he found it “*easier than email*”. The feedback from Participant I revealed that he understood group-buying to have a two-fold meaning. On the one hand, he understood group-buying as a process which allows “*direct participation from consumers*” in the form of SMS bids where the consumers’ interaction with the group-buying service serves to determine the final price paid for the particular deal or product. Participant I understanding is consistent with position already put forward in the literature that *group-buying discounts* allowed consumers to effectively group their purchase volumes together in order to obtain a discounted price [22].

The fact that Participant I understanding of the concept of group-buying aligned with postulations in the literature determined the focus of the interview held with him. Participant I revealed that he was introduced to the group-buying sites through an advertisement displayed on the right-hand side panel of Facebook. The participant also noticed newspaper and television advertisements about group-buying vendors. However, the participant did not purchase any of the deals being promoted as they did not appeal to him: *I have also signed up to one or two other companies, but all they send me are manicures, pedicures and crap massages and that type of stuff that I am not interested in at all.* The lack of interest in group-buying deals seems to be the factor which prevented Participant I from signing up to become a member of available vendors’ in online social networks: *“I don’t want my newsfeed to be [filled] with [vendor name] or I don’t want the entire page on my newsfeed to be about saving R10.00 for a lollipop for example. It is not interesting to me”.*

## Merchant Perspectives

### Participant B

Participant B occupied the role of Digital Marketing Officer for a merchant which operated a large theatre and under the umbrella of the arts and entertainment industry within Cape Town. In addition to maintaining the merchant’s profiles on Facebook and Twitter, the participant was also responsible for “*generally anything that is online*”. The participant revealed that the primary objective for maintaining the merchant’s online presence using Facebook and Twitter was to allow them to “*offer specials quickly...keep our audience updated on changes, on shows.*” It was also a means to change their approach to marketing so that they could “*get people to want to be part of the theatre...part of the experience*”.

At the time of being interviewed, the merchant had already participated in 4 group-buying transactions and the researcher’s questions were geared towards uncovering the factors which had influenced the participant to use the services offered by a group-buying vendor, and whether the merchant’s experiences differed from vendor to vendor. Participant B indicated that his introduction to group-buying services was due to his prior affiliation with an online technology publication which covered the group-buying sector and their launches in South Africa. After moving to his current position with the merchant, he found it to be “*a good fit*” in being able to achieve the merchant’s primary objective

of offering specials to an audience and allowing them to experience the theatre. The participant revealed that of the 4 group-buying deals they offered, 3 of them were facilitated by one particular vendor (Vendor A), and the other 1 was through another vendor (Vendor B). This association allowed the participant to share his particular experiences with two different vendors. He was also able to share his perspective on why Vendor A was used on multiple occasions whereas the Vendor B was only used once by the merchant.

The participant’s view was that Vendor A had more experience in group-buying. He believed that Participant B “*invented the whole genre*” while “*the others are basically copy-cattin it*”. Participant B’s position is in line with Kurien’s [10] findings on the impact vendors’ experience has on online marketing. Also, Participant B indicated that the fact that Vendor A had a wider reach to a larger audience influenced his decision to continue to use his group-buying mediating services. Vendor B claimed to have access to a wide audience as well, based on their affiliation with other media companies, but Participant B found that “*they just don’t have the same momentum in the market, the same reach*” as did Vendor A. The participant did, however, admit that the variations in Vendors’ performances could have resulted because of the differences in the time Vendors A and B were contracted to sell the tickets. He understands that: “*maybe everyone that wanted it had already bought at [Vendor A]*” since he was contracted before Vendor B. However, Participant B revealed that collaboration with vendors offering online group-buying allowed them to reach an audience that would never have been reached through the traditional means of newspaper marketing the added benefit of generating revenue during quieter weekday periods.

Intrinsically, Participant B also hoped that the online group-buying vendors should provide a means to quickly allow merchants to run promotions as in order for them to be able to “*offer specials quickly*”. At present, the nature of the group-buying deals run for approximately 12 hours, after which the vendors carry out the necessary back-end administration before sending the information about the customer purchases to the merchant. The participant felt that this process was “not as quick as it could be”.

### Participant C

Participant C had a marketing role within a hotel that operates a steak house restaurant in Cape Town Central Business District. The steak house restaurant is affiliated with the hotel and runs a number of group-buying deals using different vendors as a way of promoting the restaurant. The Participant indicated that he recognize the importance of maintaining an online presence to attracting more customers. Therefore, he maintains websites for both the restaurant and hotel, which do not, at the time of the research have social networking platforms where firm-customer interactions can take place.

According to the Participant, the primary reason why he engaged the services of online group-buying vendors was to attract more local customers to the restaurant. This is because the restaurant’s primary clients were tourists who lodge at the hotel, while locals have been unaware of the restaurant’s services due to its location. The participant believed that since



the restaurant offer good dining experiences that could also be beneficial to local customers, it would therefore, be profitable for the restaurant to adopt online group-buying as incentive to attract prospective local customers. He expected that it would be beneficial to run a group-buying deal during periods, such as winter time, when the number of tourists visiting the hotel has reduced as a way of building a local customer base. By the time of the study however, Participant C had offered to local customers a total of five deals through the services of four vendors. This enabled him to be able to provide detailed insight into the factors influenced his choice of vendors.

The primary factor that influenced Participant C's choice of online group-buying vendors was the willingness of the vendor to negotiate with him the discounts to be offered to target customers. The participant revealed that this was "*a massive factor because I need to be able to cover my costs*". Some of the online group buying vendors participant C approached were not willing to negotiate at a region of 50% discount. He noted that higher discount rates will make it possible for him to cover the costs of the services rendered to customers in the restaurant.

In addition, the online group-buying vendors' terms and conditions regarding how they pay merchants also motivated the Participant C's choice of online group-buying vendors. The participant revealed that since restaurant services to customers requires pre-purchase of stocks in order to be to meet customers' demand it therefore, became necessary to consider the period available online group-buying vendors would provide the money collected from customers. His experience was that some vendors only pay merchants their portion of the deal after the deal may have lapsed. Participant C revealed that the main push factor that made him to retain online group-buying vendors was because during "*down time*" in the year, they have helped to create a "*vibe*" in the restaurant. He maintained that group-buying vendors allowed the restaurant to fill seats that may have been left unfilled during the low sell times of the year.

#### **Participant D**

Participant D owned a sandwich and coffee bar just outside the Cape Town Central Business District and had participated in group-buying as a merchant stakeholder. Participant D had only used an online group-buying vendor, although he had made contacts with some other vendors. As a merchant, he maintained a company website and an active profile on Twitter. Participant D indicated that his business outfit use the Twitter platform to promote daily and weekly deals, as well as products and services that may be considered to be of interest to customers. The primary factor that motivated his use of the online group-buying vendor he had only used was the need to intensify his marketing efforts geared toward attracting new customers. However, the Participant found out that "*most of the guys who used the coupon are actually guys who come in here every day anyway. My whole idea was to get in new people, not the same people at a discount.*" He further noted that despite not achieving his primary goal, that participating in the group-deals was a "*fairly cheap*" marketing strategy to promote and "*get their[the] name [of the business] out there*". The participant also indicated that he was aware of the benefits of using online marketing, but never had the time to

implement it. Hence, online group-buying deals were means of having "*someone else do it for [him] for[a] fairly cheap [price]*".

#### **Participant E**

Participant E was selected as an interviewee based on his response that he had used online group-buying services as a merchant stakeholder for "*6 years in his former company.*" During the course of the interview, it was gathered that the Participants understanding of online group-buying did not match the definition adopted for this study. The Participant's experience in online group-buying was derived from his sales experience with retail stores that grouped their spending together in order to receive better buying deals from suppliers. Participant E's perspective was therefore, assumed to have been derived from his understanding of the group-buying concept in the more traditional sense, as applied in retail stores [3 and 4]. It however, become necessary in order to achieve the objectives of the study to do away with Participant E's perspectives of online group-buying as it did not match with its description as presented in the introduction of this paper.

#### **Participant J**

Participant J revealed that he used a group-buying vendor to assist with the letting out of his property, which was used as holiday accommodation in the Gordon's Bay area. The only online presence Participant J maintained was a website which he uses to market the holiday accommodation. The website allowed potential customers to view the property, and its availability, before deciding on its booking. Participant J was attracted to online group-buying because it seemed to "*be a good way to market our properties.*" This attraction was however, motivated by the reach the vendor had due to his use of weekly advertisements in a popular newspaper. Participant J assumed that it will provide a means for the merchant to have "*more exposure countryside*". However, Participant J's negative experience that made him participate only once as a merchant stakeholder in online group-buying deal is recounted thus:

*Our initial contact and feedback from the agent was quite positive but as the transaction carried on there were all types of fine print and contracts. The economics didn't make sense to me... after they [online group-buying vendors] have all the voucher numbers they will pay out the balance of the 20% and to me[it] just sounds [as if] it's another way of getting more money out of you. They already get [sic] 50% upfront, and then there was the VAT issue and then there was the 20% which they are not going to pay out immediately. There is a lot of small little issues [sic]. There were these little niggles all the time and it was just not worth my while time wise...It just wasn't worth it. The fact that there was a lot of administration involved as well, extremely a lot. Then of course there were things we were told and contracts, which didn't pan out. Payment back to us was a problem.*

The interaction between the merchant and the vendor occurred mainly through emails and telephone calls. Similarly, the merchant was responsible for following up with the customer, even those who did not redeem their vouchers, in order to retrieve the voucher codes needed by the vendor before the merchant could claim payment. The participant noted that these administrative tasks proved to be a source of frustration on his part and “*not worth his while time wise.*”

### Final Perspective of the Action Research

The researcher gained a greater understanding of the group-buying phenomenon in South Africa. It was the expectation of the researcher that the initial understanding of the area of concern would be enhanced during the research process. The researcher’s perspective was adjusted after every interaction with each participant, and this was expected due to the nature of the SSM approach which had been followed throughout the course of the study [36]. The final rich picture which was formed reflected the final perspective of the action researcher and is depicted in **Appendix H**. The following discussion centres on the formation of this final rich picture from the researcher’s initial understanding of the area of concern.

Initially, the researcher’s understanding of group-buying services was limited to her personal experiences as a customer stakeholder. Through an examination of existing literature on the topic, the researcher found that there was sufficient reason to pursue a research study with the prime object being to gain a deeper understanding of the group-buying phenomenon within South Africa. The purpose of the interviews conducted with participants was to enable the researcher to uncover their individual experiences as customers and merchants. It was also necessary to understand what drives these stakeholders to participate in group-buying transactions in order to be able to determine what action would be necessary to improve the situation. Throughout the interview process, the researcher’s understanding of the situation deepened and her perspective changed with each interaction. The most significant change in perspective related to the use of social networking platforms in group-buying transactions.

Initially, it was understood from the literature that the increase in popularity of group-buying vendors was attributed to the social networking platforms and the ease with which information could be shared across personal networks through these platforms [13, 14 and 11]. However, only Participant F and Participant G revealed that they discovered group-buying services through the links which were shared with them on Facebook and Twitter. Participant H and I were introduced to group-buying vendors through the advertisements on the advertisement panel on Facebook, yet neither of them has joined any of the group-buying vendors’ networks on Facebook. Similarly, even though Participant G was introduced to a vendor through a link shared with her on Twitter, she did not join any vendors’ network on Twitter. The feedback from all the participants certainly indicated that although Facebook and Twitter may have played an initial role in making people aware of online group-buying services,

these platforms were not being used effectively by vendors in sharing *relevant* information with customer and merchant stakeholders.

Furthermore, the researcher has gained a different perspective on the factors which motivate customers and businesses into participating in online group-buying. It was expected that customers would be motivated by the economic aspect and the cost savings associated with group-buying. As expected this perspective was shared by a number of customer participants interviewed. Similarly, studies reviewed in the literature revealed that economic aspects, derived from an appropriate discounted price model, could be influential in merchants’ decision to participate in group-buying (I will add literature here). However, the researcher’s perspective was enhanced by customer-participants’ revelation that it was important for a online group-buying deals to appeal to their personal interest and needs before they could reach conclusion where they should go for the deals or not. For merchant-participants’, the economic gains were also negligible, based on the fact that they laid greater importance on their businesses exposure and attraction and retention of new customers.

The feedback from online group-buying vendors would have been particularly helpful to the researcher’s understanding of the factors that motivated them into providing group-buying services in South Africa. Since they were not available for interviews, the researcher’s perspective would remain that which was formed based on knowledge available in the literature. The South African consumer market has experience a significant increase e-commerce adoption. Observers have predicted that inclination to adopt e-commerce by the South African consumer market will increase in the coming years. The literature has revealed how online group-buying model proved successful in aiding e-commerce in other parts of the world [8 and 10]. Thus, there seemed to be an expectation that an increase in vendors offering online group-buying services would follow the increase in e-commerce adoption currently being experienced in South Africa [12]. The findings of this study could, however, still be beneficial to vendor stakeholders who would seek to differentiate themselves from their competitors by offering better services to the customer and merchant stakeholders.

### V. CONCEPTUAL FRAMEWORK DEVELOPED FROM THE STUDY FINDINGS

Based on the outcome of this study the researcher designed a conceptual model as a reflection of the final understanding of the group-buying phenomenon as it affects the stakeholders—customers, merchants and online group-buying vendors represented in the study. This model is presented below and followed by a discussion of the findings which led up to its construction.

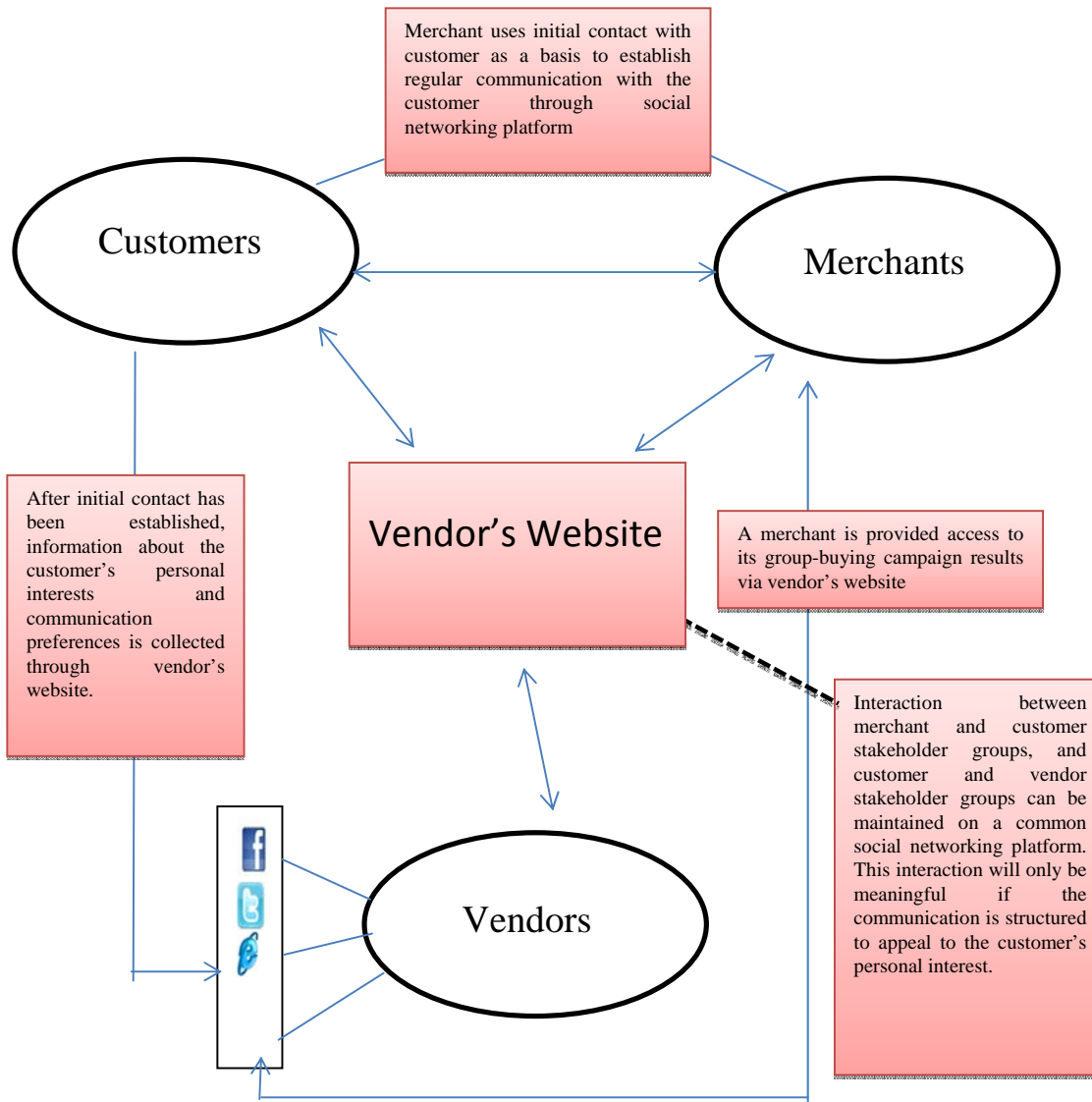


Figure 2: Group-buying stakeholders' interaction improvement conceptual model.

The customer stakeholder participants revealed that contact with vendors were not maintained through their Facebook or Twitter platforms because the updates flooded their newsfeeds as spam mails and also did not appeal to their interests and hence, reduced their drive to join vendor's network on social media platforms. The experiences of the customer stakeholder participants provide strong reason why vendors should consider the way the use platforms such their websites, Facebook and Twitter as online group-buying and business communication media (add more details).

## VI. SUMMARY, RECOMMENDATIONS AND CONCLUSION

The primary objective of this study was to gain a deeper understanding of the group-buying phenomenon in South Africa. The study revealed that customer stakeholders use social networking platforms on a daily basis to achieve various personal objectives, such as interacting with friends, keeping up to date with current affairs and different levels of socializing. The customer participants revealed that these platforms, although responsible for their initial exposure to

group-buying campaigns, were not being used to maintain their association with group-buying vendors. The fact that these customers did not find it beneficial to be associated with vendors on their social networks has an implication for the “social” aspect of online group-buying in South Africa. In order word the social feeling which can be achieved on platforms such as Facebook and Twitter still eludes online group-buying vendors that have been involved in developing online group-buying in South Africa. This has a further impact on both vendors and merchants – vendors are not able to maximize the reach of the group-buying campaigns, and merchants who are not able to fully achieve their business objective of reaching more customers and making more sales and profit. To improve this situation, the researcher proposes that vendors develop strong understand of information and communication interest and preferences of both customers and merchants. This will allow them to develop both the social requirements and communication richness of their websites and social media platforms.

The research study also explored the benefits gained and challenges faced by stakeholders who participate in online group-buying in South Africa. The main benefit derived from online group-buying by customers was the increase in the possibility of gaining new experiences such as trying out new restaurants or participating in new activities which may not have been possible without the information received through online group-buying vendors’ campaign either in their websites or on Facebook and or Twitter.

Merchants revealed short-term and long-term benefits they expect to derive from offering group-buying services such as using the extensive reach of the online group-buying vendors to reach and attract new customers and to promote their businesses to a larger scale audience. The merchants generally agreed that the economic gains from offering group-buying services were negligible, but they hoped that customers who were introduced to them through online group-buying campaign would become *regular* customers. This may allow them achieve long-term economic returns in the near future. In conclusion therefore, the South African consumer market has shown that it possesses the capacity to fully harness the benefits accrued to online group-buying business. While this may require additional time and technological resources on the part of the vendors, merchants and consumer stakeholders, the need for capacity development programs South African government can render through funded research and provision of incentives for the mounting of workshops geared toward developing stakeholders innovativeness on online group-buying cannot be overestimated. The sustainability and the improvement of the online group-buying model in South Africa may depend strongly on the level of consideration stakeholders give to the recommendations put forth in this study.

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