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Factors Influencing Purchase Intention under Indent Buying

Model on Wechat

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Abstract: Indent buying on Wechat is a new e-commerce model in China. Product trade is different from ordinary online shopping under this model. We conducted an empirical study and found that trust, information quality and perceived value have significant impact on consumers' intention to purchase indent buying products. Information quality and word of mouth significantly influence consumers' perceived value.

Keywords: Wechat , indent buying , purchase intention , word of mouth

1. INTRODUCTION

Wechat is a popular instant messaging App in China with more than 500 million users. The “Moments” is a function on Wechat where people can share their daily lives with family and friends. Indent buying is a business model which is becoming increasingly popular in China in recent years. Under this model, indent agents help domestic consumers get products sold in other nations. There are mainly two reasons why indent buying has become so popular. First, consumers can get products which are unavailable in domestic market through indent buying. Second, they can get products for a much cheaper price through this model even if the products can be found in domestic market. Nowadays, it has become a very common phenomenon that many people advertise and promote foreign products in the “Moments” on their Wechat. This gives rise to a new business model which differs from ordinary indent buying or online shopping, because buyers and indent agents are friends. There exists a certain level of trust between them. Perceived risk, a factor significantly influencing consumers' purchase intention can be greatly reduced under this model. In addition, word of mouth(WOM), which plays an important role in consumers' purchase decision, is more trustworthy than ordinary online product reviews because it is from friends on Wechat rather than strangers. Therefore, factors influencing people's purchase intention under this new business model may be different from those under ordinary indent buying or online shopping situations. The objective of this research is to explore factors which have significant impact on consumers' intention to purchase indent buying products sold on Wechat.

2. LITERATURE REVIEW AND HYPOTHESES

2.1 BRA model

In previous studies about purchase intention, BRA(Benefit-Risk Analysis) model is widely adopted, whose frame is shown in Figure 1. According to BRA model, consumers' purchase intention is influenced by their perceived benefit and perceived risk. For example, based on this model, Zhang(2015) conducted an empirical study and found perceived risk negatively influences customers' intention to purchase agricultural products, and perceived benefit positively influences their purchase intention under O2O model^[1]. Suzanne Amaro and Paulo Duarte(2015) also proposed perceived risk and perceived benefit have significant impact on consumer' intention to buy online travel products^[2].

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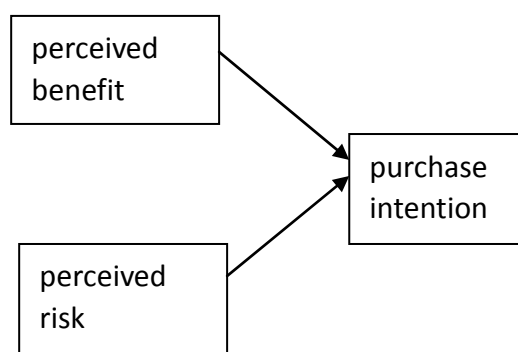


Figure 1. BRA Model

Under indent buying model on Wechat, because information and products are provided by friends, perceived risk no longer plays a critical role. Perceived benefit is an integrative concept, which may be influenced by some other factors.

2.2 Perceived Value

In this research, we define perceived value as consumers' overall evaluation on products. Positive perceived value has significant impact on sales performance(Sweeney, J.C,1999)^[3]. Therefore, in order to increase customers' purchase intention, sellers should enhance their perceived value(Steenkamp & Geyskens,2006)^[4]. Man-Lung Jonathan Kwok(2015) conducted an empirical study and found perceived value can significantly influence purchase intention^[5]. Under the model of indent buying on Wechat, whether the value of products can meet consumers' needs or arouse their desire becomes an important reason why they want to make an order. Therefore, we propose:

H1: Consumers' perceived value positively influence their purchase intention.

2.3 Information quality

Information quality refers to information relevance, sufficiency, accuracy and timeliness.If the information is irrelevant, inaccurate or out-of-date, consumers may doubt sellers' ability and integrity to provide quality services(Lingling Gao et al., 2015)^[6].That is to say, depending on the quality of information on the website, a consumer may perceive that the site is or is not suitable for making the required online purchase correctly (Kim et al., 2008)^[7]. Weng Marc Lim(2015) conducted a research on group buying advertisement and found information quality of web advertisements significantly influence customers' perceived value^[8]. Gao et al.(2015) proposed that information quality can affect customers' usage experience on social networking service. Usage experience plays an important part in customers' perceived value. Whether indent agents can provide quality product information on Wechat would affect potential consumers' perceived value of the products, and further affect their purchase intention. Therefore, we propose:

H2: Information quality has significant impact on consumers' perceived value.

H3: Information quality has significant impact on consumers' purchase intention.

2.4 Trust

Trust plays a critical role in e-commerce. Doney and Cannon(1997) defined trust as the perceived credibility and benevolence of a target of trust^[9]. Corbitt et al.(2003) suggested people are more likely to shop online when they perceive a high level of trust^[10]. On the contrary, McKnight et al. (2002) found that the possibility of shopping would decrease when people perceive uncertainty or risk^[11]. Business done on Wechat is based on relationship. The extent to which people trust their friends (the indent agents) may influence their perceived credibility, and further influence their purchase intention. Therefore, we propose:

H4: Trust has positive impact on purchase intention.

2.5 Word of Mouth(WoM)

Word of mouth(WoM) refers to any positive or negative statement made by potential, actual, or former customers about a product (Hennig-Thurau,T,2004)^[12]. When consumers cannot evaluate the value, capability or risk of providers, word-of-mouth becomes a credible, reliable and cost-effective alternative to acquire subjective evaluation and insightful information from other experienced customers within a short period(Chu,S.,Kim,Y,2011)^[13]. Hennig-Thurau and Walsh(2003) pointed out that consumers read online comments for fast information about the benefits and shortcomings of a product or service to save decision-making time and provoke better buying decisions^[14]. Weng Marc Lim' research on Internet advertisement indicated that WOM has positive effect on consumers' perceived quality. Since it is from friends, WOM on Wechat is reliable description about products. Therefore, we propose:

H5: WOM has significant effect on consumers' perceived value.

Some studies have found that WOM can influence consumers' purchase intention. For example, Omer Torlak et al.(2014) proposed WOM has significant effect on purchase intention^[15]. Eric W.K. See-To et al.(2014) found WOM can directly influence customers' purchase intention on SNS website. Yi-Chih Lee et al.(2014) conducted an empirical study on cosmetics and suggested that good WOM can increase customers' purchase intention^[16]. Compared with anonymous online product reviews, WOM on Wechat is more trustworthy, so it is more likely to influence consumers' purchase intention. Therefore, we propose:

H6: WOM has significant effect on consumers' purchase intention.

Figure 2 presents the research model.

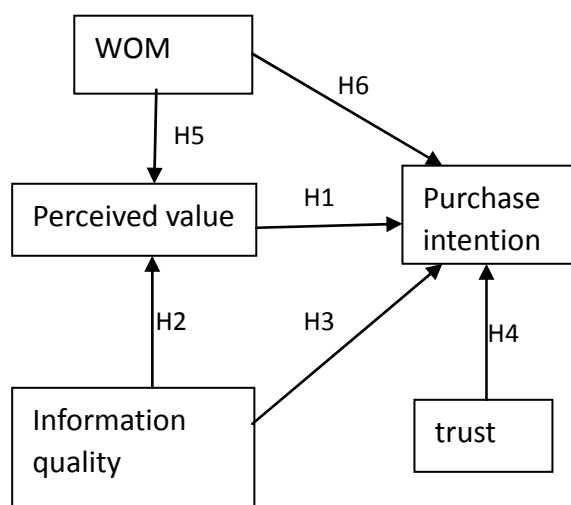


Figure 2. Research model

3. RESEARCH DESIGN

3.1 Instrument

The research model includes 5 constructs, each of which is measured with multiple items. The items were adapted from extant literature. Table 1 shows original sources of the items.

All items were measured on a five-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (5).

Table 1. Original sources of the items

Constructs	Adapted from
trust	Enrique Bonson Ponte et al. (2014)
perceived value	Kim et al. (2012)
WOM	Weng Marc Lim (2015)
information quality	Lingling Gao et al. (2015)
purchase intention	Enrique Bonson Ponte et al. (2014)

Questionnaires were distributed online. All respondents were consumers who had knowledge of or experience with indent buying on Wechat. Altogether, we collected 181 questionnaires and 157 of them were valid. Table 2 shows the demographics of respondents.

Table2. Demographics of Respondents

Item	Category	Count	Percentage(%)
Gender	male	42	26.8%
	female	115	73.2%
Age	<20	38	24.2%
	20-30	71	45.2%
	30-40	43	27.4%
	>40	5	3.2%
Education	Junior college or below	15	9.6%
	Bachelor	80	50.9%
	Master or above	62	39.5%

3.2 Validity and reliability

We conducted confirmatory factor analysis(CFA) to examine the scales' reliability and validity. Table 3 lists the standardized item loadings, Cronbach's alpha, CR, and average variance extracted (AVE) of each construct.

According to Table 3, all the values of Cronbach's Alpha exceed the acceptable threshold value of 0.6 and all CR(composite reliability) values are greater than 0.8, so the items have good reliability.

Convergent validity shows whether a construct can be reflected by its own items (Tao Zhou et al., 2010)^[17]. As Table 3 shows, each construct's AVE is greater than 0.50, which indicates good convergent validity (Fornell & Larcker,1981)^[18]. Discriminant validity reflects whether two factors are statistically different (Tao Zhou et al., 2010). As shown in Table 4, for each construct, the square root of AVE is larger than its correlation coefficients with other constructs. Thus, the scales have good discriminant validity (Boudreau, Gefen & Straub, 2001)^[19].

Table 3 . Validity and reliability

Constructs	Items	Standardized item loading	Cronbach's Alpha	CR	AVE
trust	t1	.984	0.861	0.886	0.732
	t2	.950			
	t3	.570			
perceived value	pv1	.893	0.894	0.922	0.749
	pv2	.844			
	pv3	.958			
	pv4	.754			
information quality	info1	.914	0.925	0.927	0.809
	info2	.919			
	info3	.865			
WOM	wom1	.644	0.836	0.849	0.657
	wom2	.888			
	wom3	.877			
purchase intention	pi1	.880	0.953	0.954	0.875
	pi2	.990			
	pi3	.933			

Table 4. The square root of AVEs (shown in bold at diagonal) and factor correlation coefficients

	trust	perceived value	WOM	information quality	purchase intention
trust	.856				
perceived value	.742	.865			
WOM	.484	.624	.811		
information quality	.602	.747	.512	.899	
purchase intention	.720	.806	.521	.744	.935

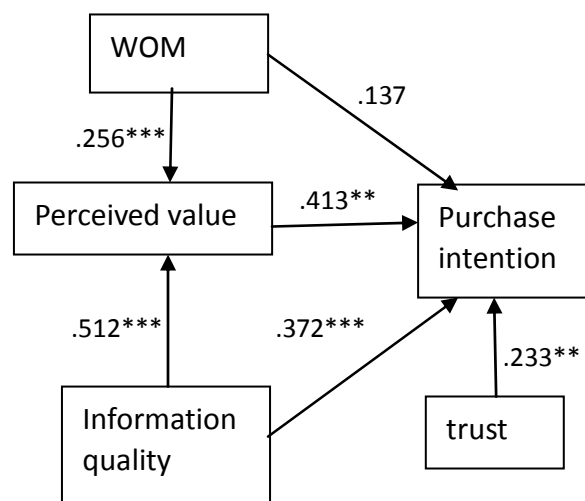
3.3 Data analysis

AMOS 21.0 was employed to test the structural model and hypotheses. A similar set of fit indices was used to examine the structural model. As Table 5 shows, comparison of all fit indices with their corresponding recommended values suggests a good model fit.

Table 5. Recommended and actual values of fit indices

Fit index	χ^2/df	GFI	NFI	RFI	IFI	CFI	RMSEA
Recommended value	<3	>0.9	>0.9	>0.9	>0.9	>0.9	<0.08
Actual value	1.849	0.904	0.949	0.924	0.977	0.977	0.071

Figure 3 presents the path diagram.

**Figure 3 Path analysis result (Note: **P < 0.01;***P < 0.001).**

As Figure 3 shows, perceived value significantly influences purchase intention($\beta = 0.413$, $p < 0.01$), supporting H1. Information quality significantly influences perceived value($\beta = 0.512$, $p < 0.001$) and purchase intention($\beta = 0.372$, $p < 0.001$), confirming H2 and H3. The results also indicate trust has significant impact on purchase intention($\beta = 0.233$, $p < 0.01$), which supports H4. WOM is found to have significant impact on perceived value($\beta = 0.256$, $p < 0.001$), but have no significant effect on purchase intention($\beta = 0.137$, $p = 0.06$), supporting H5, but rejecting H6.

4. DISCUSSION

We introduced trust and perceived value in our research, two factors widely adopted in researches about purchase intention, and found that both trust and perceived value have significant impact on purchase intention. This indicates that there are some similarities between indent buying on Wechat and ordinary online shopping. Therefore, indent agents are supposed to come up with various ways to increase consumers' perceived value so as to enhance consumers' purchase intention. In addition, a trustworthy image may also be helpful for increasing consumers' purchase intention.

The quality of product information was also found to have significant effect on consumers' perceived value and purchase intention. Information quality includes information relevance, sufficiency, accuracy and timeliness. Thus, in order to improve consumers' perceived value of products and enhance their purchase intention, indent agents should take advantage of Wechat's powerful interactive functions to provide consumers with sufficient product information in various forms, and ensure information accuracy.

Word of Mouth(WoM) plays an important role in online shopping. Compared with anonymous online reviews, WOM on Wechat is more reliable. We found that WOM on Wechat can significantly influence consumers' perceived value. Indent agents should positively present their friends' with good reviews in the "Moments" and encourage friends to share their usage experience so as to improve potential consumers' perceived value. In our research, WOM has no direct significant impact on purchase intention. This suggests respondents tend to be rational buyers. Their purchase decision is based on their perceived value of the products and their true needs rather than just good WOM from friends.

5. CONCLUSIONS

Wechat is a social networking service tool where indent buying has both similarities to and differences from ordinary online shopping. Therefore, factors influencing consumers' purchase intention under this new model differ from those in traditional e-commerce context. Perceived risk no longer plays an important role because business is done among friends. WOM, since coming from friends, is more trustworthy and can significantly influence people's perceived value. This research can be inspiring to indent agents on Wechat. In order to increase sales, they need to ensure the quality of product information, make good use of WOM, and figure out various ways to improve potential consumers' perceived value.

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