Social embeddedness and online consumer behavior

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Dear Readers of Electronic Markets,
Social embeddedness refers to the extent to which organizations are connected to other actors via linkages of a social network or the extent to which human action of consumers (including their economic behavior) takes place within a web of social attachments such as friendship and kinship (Uzzi and Gillespie 2002). Motivated by the increasing popularity and economic significance of online social networks, the overall objective of this special issue is to advance our understanding on how consumer behavior is influenced by online social embeddedness.

The emergence of online social networks has substantially shaped, and continues to reshape, the environment for decision making by market actors. Making decisions is a daily function for organizations as well as for individual consumers. Companies, for example, continuously have to select software solutions to business problems, decide about the relevance of new technologies and decide about sourcing in or out parts of IS/T, to name just a few from the perspective of an IS/T manager. Managers and employees in all fields are usually provided with a variety of resources and tools to help them with making decision. This

typically involves some use of information systems, because they can bring about greater efficiency in organizational operations and they can effectively support management processes. The proliferation of the World Wide Web provides individuals for the first time with access to hundreds of pieces of relevant information to help them make more informed consumer choices. For example, while people talked with sales personnel and perhaps asked for advice from friends or family before making a major purchase, today, technology-supported access to information and recommendation systems make the process of comparing different options much easier and more effective.

Notions of rationality were frequently applied by social scientists as a basis for describing, understanding and evaluating the actions of individuals and organizations in relation to decision making. In the last decades, however, it has been suggested that the usefulness of rationality in describing and explaining decision making is limited. The work by renowned psychologists, such as Kahneman and Tversky (1979) and Thaler (1994), showed various divergences of actual human decision making from neo-classical economic theory and provided evidence that homo sapiens act quite differently in various situations from the idealized homo oeconomicus. Consequently, the strict assumption of rationality has been gradually softened. A change can be seen from the new institutional economics with fully rational agents alongside dynamic theories with opportunistic agents, towards behavioralism based on agents acting with at most bounded rationality (Simon 1947). Sociologists also challenge the utilitarian neoclassical position and have long recognized that economic decisions and behavior of individuals and organizations are profoundly shaped by the social network in which they are embedded.

The concept of social embeddedness expresses the idea that social actors exist within relational, institutional, and

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cultural contexts and cannot be seen as atomized decision-makers who are maximizing their personal utility. This argument has a long history that reaches back to Max Weber, and more recently, to Polanyi (1944). A more current formulation of the argument and discussion of the relevance of social embeddedness of economic actors is provided by Granovetter who recognizes that: “economic action and outcomes, like all social action and outcomes, are affected by actors’ dyadic (pairwise) relations” (1985). Numerous scholars have investigated the embeddedness factor in various settings, such as value creation (e.g., Tsai and Ghoshal 1998), inter-firm alliances (e.g., Gulati 1998), entrepreneurship (e.g., Hite 2003), strategy (e.g., Powell et al. 1999) and managerial performance (e.g., Gargiulo and Benassi 2000). Comparatively little work has been done on social embeddedness in the consumer context, specifically with reference to the Internet.

With the proliferation of social media platforms such as online social networks, blogs and video sharing services, consumers are now able to actively participate in content sharing and social interaction on the Internet. Especially, so called online social networks have led millions of users to share a part of their private life on a virtual platform. As a consequence, people are not only embedded in real-world (offline) social networks anymore, but also in online social networks. An important question not solved yet is how the embeddedness in a computer-mediated social network influences consumer behavior. Our objective in this special issue is to contribute to the growing and much needed body of knowledge about social embeddedness of online consumer behavior, an important area in social commerce research.

After a competitive and thorough double-blind review process for this special issue, we are delighted to have accepted three high-quality papers out of a total of 11 submissions. Taken together, the three articles included in this special issue are interesting and advance our scholarly knowledge of online consumer behavior. They present a path analysis of the relationship between business and consumer engagement on Twitter, an empirical study on the impact of consumers’ non-economic motivations for contributory actions in virtual communities as well as a paper with suggestions for further research on the mechanisms and consequences of social embeddedness on decision making.

The first paper, by Mimi Zhang, Bernard J. Jansen and Abdur Chowdhury is dealing with the role of social media platforms in the context of corporate communication. The authors address the important issue of how companies should actively participate in consumers’ online communication. Particularly, they explore how the engagement level of a company in online word-of-mouth communication influences the level of consumers’ engagement. The authors

chose the popular social media service Twitter as the example for their study and used path analysis to examine 164,478 tweets from 96,725 individual Twitter users with regard to nine brands during a 5-week study period. The authors find a large increase in the word-of-mouth messaging volumes after a business launched branded Twitter accounts, which indicates the dramatic influence of business engagement in word-of-mouth communication on the consumers’ engagement in messaging that matters to the brand. In addition, retweeting, as an explicit way to show consumers’ response to business engagement, indicates that the influence only reaches consumers with a second-degree relationship to the brand and that the life cycle of a tweet is generally 1.5 h or 4 h at most. The study results have important implications for business’s online communication strategy.

The next paper by Dale Ganley reports an analysis of the contribution of non-economic incentives to motivate adoption of subscription plans in a virtual community. To address this question, the author builds on concepts from the motivation literature in organizational behavior and applies a model to analyze the relationship between extrinsic and intrinsic, both personal and social, motivators and subscription behavior. The paper finds evidence that intrinsic motivations, especially those that are derived from social benefits, can provide incentives for subscription beyond any incentives designed to directly encourage payment. The paper provides website managers with useful insights on how non-economic motivations can be used to increase the website’s perceived value to participants.

Finally, Carsten Takac, Oliver Hinz and Martin Spann provide us with a thoughtful analysis and some intriguing suggestions for further multidisciplinary research on the mechanisms and consequences of social embeddedness on decision making. The authors claim that current research still lacks a coherent understanding of how social connections impact individual and organizational decision making, providing numerous opportunities for research. The key idea of the paper is to disentangle the causality chain and to determine the respective preconditions and the outcomes of social embeddedness with the help of small scaled experiments and to learn more about the network formation by analyzing the evolution of social networks. Moreover, the authors highlight the opportunity for researchers to analyze social networks based on the new electronic data from online social network platforms, communities and protocols of interpersonal communication.

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We hope you enjoy reading this special issue of Electronic Markets and would be happy about any feedback on the journal or single contributions.

Best regards,

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