

# Chapter 33

## Resources and Value Co- Creation in Social Commerce: Evidence From Business Models in a Developing Economy – A Viewpoint for Future Research

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### **ABSTRACT**

*Social media (SM) is fundamentally changing the way firms conduct business and, in the process, destroying existing business models (BM). Therefore, businesses need to have a BM adaptable to social commerce (SC), which is commerce utilizing social networking services. This viewpoint for future research has questions on the types of SC BM, the value co-created by these models, and the required resources. The study proposes a framework to explore potential BM associated with social media based on their requirements and evaluate the performance of these BM. On the tenets of the study, this viewpoint argues for the need to develop BM for SC and how value is co-created and the resources underpinning this co-creation.*

### **INTRODUCTION**

Recent developments in information and communication technology (ICT) has triggered new business models (Bharadwaj, El Sawy, Pavlou, & Venkatraman, 2013; Wang & Yu, 2017a) such as social commerce (SC). Similarly, the advancement of information and communication technology (ICT) is transforming the structure of social relationships in the space between the customers and firms through social technologies such as social media and social networking sites (Susarla, Oh, & Tan, 2012). Hence, these social technologies are fundamentally reshaping traditional business strategies that enable commerce to be done across boundaries of time, distance and functions (Banker, Bardhan, Chang, & Lin, 2006;

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Ettlie & Pavlou, 2006; Kohli & Grover, 2008; Rai, Pavlou, Im, & Du, 2012; Straub & Watson, 2001) a significant forte of social commerce. Thus, social commerce is the use of social media to engage in commercial activities.

Social commerce enjoys a plurality of definitions. For instance, Wang and Zhang (2012) define social commerce as “a form of commerce that is mediated by social media and is converging both online and offline environments”. While Yadav and Mahara (2018) refers to social commerce as “exchange-related activities that occur in, or are influenced by, an individual’s social network in computer-mediated social environments, where the activities correspond to need recognition, pre-purchase, purchase, and post-purchase stages of a focal exchange”. Similarly, in an earlier definition, Liang and Turban (2011) referred to social commerce as “online commerce applications that exploit social media and web 2.0 technologies. Lai (2010), on the other hand, defined social commerce as a phenomenon that combines three concepts (Social media, Web 2.0 Technologies and e-commerce). The various definitions highlight the presence of two essential components: social media and commerce. As noted by Liang, Ho, Li and Turban (2011) and Marsden (2009), the commerce component refers to exchange-related activities that include transactions. These transactions include pre, during and post transactional activities. The second component as espoused by Yadav, Valck, Hennig-thurau, Hoffman and Spann (2013) is the computer-mediated social environment (CMSEs).

Yahoo was the first to introduce the term social commerce in 2005 (Rubel, 2006), rapidly becoming a medium of value addition by mainstay e-commerce companies such as Amazon and eBay through customer engagement (Wang & Zhang, 2012). The first academic paper to use the term *social commerce* appeared in 2006 when *flowers.com* launched its first Facebook store in 2009 saw regular use of the term in practice (Busalim & Hussin, 2016) — since then, shopping on social media networks had increased exponentially. For example, social commerce adoption among retailers in North America moved from 17 percent in 2017 to 33 percent in 2018 (Clement, 2019). This growth trend provides a promising potential for companies to invest in social media to increase consumer engagement (Wang & Yu, 2017b).

Thus, global e-commerce pioneers like Amazon and eBay are now changing their market positions with the integration of social technologies like Facebook (Du & Wagner, 2007; Fagerstrøm & Ghinea, 2010; Kim & Srivastava, 2007; Ng, 2013).

SNSs are the bedrock of social commerce because they enhance the peculiarity of the relationship between sellers and their customers (Liang & Turban, 2011). Hence, scholars have argued that online shops using social media can result in value creation and co-creation for both customers and firms (Grange & Benbasat, 2013; Kohler, Fueller, Matzler, & Stieger, 2011; Kohler, Fueller, Stieger, & Matzler, 2011). Hence, social commerce has the potential for value co-creation (Hassan & Toland, 2013). As implied by the term, “co-creation involves a symbiotic relationship between a firm and its primary stakeholders” (Kohli & Grover, 2008), and suggest that value is co-created by integrating the available resources owned by collaborators (Vargo, Maglio, & Akaka, 2008). Hence, the objective of exchange in social commerce is to connect resources and value, in this case, the value created relies on the collaborators’ particular contexts (Cai, Yuan, & Zhou, 2013).

There is an exponential growth of social commerce sites (Huang & Benyoucef, 2015) and as more of these sites are springing up potentially with different services and leaning towards various models, there is a tendency for traditional firms to enter the space to earn the benefits therein. Such a venture has the potential to change their existing business processes, hence the need to align to specific organizational goals and strategy carefully.

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