The Roles of Product Quality and Trust in Customer Satisfaction and Purchase Decision – A Study of Wechat Shopping in China

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Abstract

This study examines a new form of e-commerce transactions, dubbed W-shopping (WeChat-shopping), which occurs through the prolific and still growing WeChat social networking application. This study applies an established model of trust, satisfaction and loyalty to this new form of commerce and is tested on a sample of Chinese students. Implications for both theory and practice are discussed.

Keywords: e-commerce; WeChat; social media marketing; trust; product quality; customer satisfaction; China.

1. Introduction

WeChat is a mobile text and voice messaging communication service developed by Tencent in China. It was first released in January 2011 and has exploded in popularity (Wang, 2014). As of January 2015, WeChat has 1.1 billion accounts ("Technode.com) with over 538 million active users ("Tencent.com"), 100 million of which reside outside of China ("Thenextweb.com").

WeChat was primarily a social networking/messaging application, but has since ventured into e-commerce. WeChat-shopping (referred to as "W-shopping" in this paper) is growing rapidly in China. Based on the report of W-shopping World Network ("Weishangshijie.com"), more than 300 million people purchased products via WeChat in 2014. The value of transactions in 2014 was$24.2billion, which was anincrease of 35% compared to 2013.

Whereas "traditional" internet based shopping revolves around e-commerce websites, W-shopping centers around the social network established by WeChat. The products are shared and promoted in a group of people through recommendations by friends. These product messages are then shared amongst friends and the messages themselves spread quickly in a similar fashion as viral marketing messages, although it is all contained within the WeChat app.This allows WeChat sellers to leverage their circle of friends to help promote and recommend the offer to others, and minimally, the seller can be assured that their message will be seen at least by their circle of friends, but the message often spreads to others.

W-shopping is clearly an important e-commerce trend, as indicated by the 300 million users who have made purchases through WeChat.However, despite the fact that W-shopping is well recognized by practitioners in the field, there have been no academic studies that have investigated this new transaction

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process. Several key questions are currently unanswered: Does W-shopping share the common shopping process with traditional commerce or e-commerce? Are there any differences between W-shopping and traditional commerce or e-commerce process?

Prior research reveals that product quality, trust and satisfaction are important elements inthe buying process.Trust and satisfaction have been established by many scholars as important roles in successful commerce as customers usually do not make purchases from any suspicious sellers (Jarvenpaa et. al., 1999; Urban, 2000), or they won't come back for repeat purchase if they are not satisfied. There is a great deal of literature which addresses the importance of trust and satisfaction in internet shopping (Grabosky 2001; Doney and Cannon 1997), but there is no research exploring the role of trust and satisfaction in W-shopping environment.

Based on our knowledge, this is a very first empirical research addressing the fast growing W-shopping market. We intend to uncover the roles of product quality and satisfaction in trust and purchase judgments in W-shopping environment.

## 2. Research Framework and Literature Review

In 2000, Singh and Sirdeshmukh propose a model exploring the roles of trust and agency mechanisms in consumer satisfaction and loyalty judgments, which is shown below in Figure 1. They argue that trust interacts with agency mechanisms in prepurchase stage of transaction, which in turn affects satisfaction and influences loyalty in the post purchase stage. They declare their model is built on a contingency model of the impact of prepurchase expectations and post purchase perceptions on satisfaction proposed by Voss et al. (1998), in which quality is included as one component of prepurchase assessment.

Figure 1: Singh and Sirdeshmukh Model of the Roles of Trust and Agency Mechanisms in Consumer Satisfaction and Loyalty Judgments
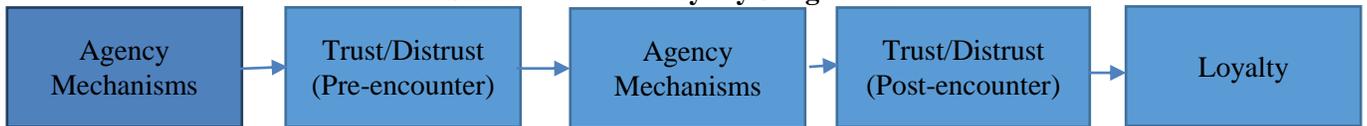
W-shopping is in the early stage of development, and while there is a system to ensure easy payment, there currently exist very few buyer protections such as those found on established e-commerce websites such as Amazon and Taobao. In such an environment, some opportunistic sellers may take the advantage of friend circles in WeChat to sell inferior products as they do not have to fear any institutional safeguards.Webelieve that product quality is an important element of prepurchase assessment. Thus, we propose a simplified model in W-shopping in Figure 2 built upon the frameworks of Singh and Sirdeshmukh (2000) and Voss et al. (1998). It is argued that perceived product quality influences customer trust, which in turn affects satisfaction leading to consumer purchase in WeChat.

Figure 2: an Adaptation of Singh and Sirdeshmukh's Model in W-Shopping Environment
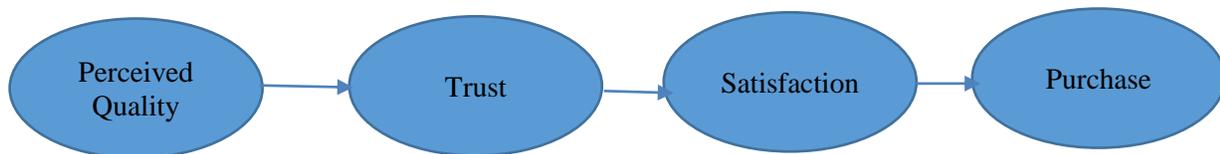
- **Perceived Product Quality**

For the survival and success, business should keep eyes on product quality, or at minimum, perceived quality. Quality is a critical factor determining a firm's success in today's marketplace. Nothing is more

frustrating to consumers when a new item breaks after just a few uses or having it not live up to expectations (Boon & Kurtz 2015). Schroeder et. al. (2010) define quality as "meeting customer's requirements." It means that product is fit for the customer's use. According to Kotler and Armstrong (2009),product quality refers to the product's function including the accuracy, reliability, durability, and ease of operation and repair. In W-shopping context, product quality refers to the buyer's perception of the overall excellence or superiority of a particular product (Zeithaml, 1988).

- **Trust**

It has been established in previous research that sellers who have strong brand recognition (Brynjolfsson & Smith, 2000), trusting relationships with customers (Brynjolfsson and Smith, 2000; Ba & Pavlou, 2002), customer loyalty (Kocas, 2003), and greater size and history (Burdett & Coles, 1997) have significant advantages over other firms due to the fact that consumers will not feel the need to search for other companies that sell a product that they need. WeChat is growing quickly, and has a strong user base but strictly speaking to its commerce initiative.It does not yet have the strong brand recognition, established history or loyalty that larger, which older E-commerce firms have. Hence, it is particularly important that WeChat establishes a strong level of trust so it can continue to grow and encourage repeat business.

Since the structure of W-shopping is a typical "friend circle,"members in one WeChat group are supposed to know each other. The original goal of a WeChat group is to circulate information based on common interest of members in the group. When it turns into a commercial transaction, buyers are still "blind" or vulnerable to sellers' integrity, obligation of fulfillment, and product issues such as quality. In this paper, we define trust as the consumer's belief that the seller of WeChat group will carry out obligations and responsibilities (Barber 1983).

- **Satisfaction**

Consumer satisfaction is an attitude indicating the gap between consumer's expectation of a product or service quality and the actual one they receive after the purchase (Oliver 1993; Parasuraman et al. 1988). In a business world, the long-term relationship is determined by the outcomes of consumers' initial purchase decision (Oliver 1993). If the exchange was perceived as satisfactory, the customer will be likely to come back and make repeat transactions (Kim, et al., 2005). Based on social exchange theory (Blau 1964), Singh and Sirdeshmukh (2000) argue consumers' trust evaluations at prepurchase stage affect the level of satisfaction at post purchase stage. The trust satisfaction relationship is especially important inW-shopping. Because W-shopping occurs in a closed circle based on friendship or common interest, consumers may make repeat purchase and become loyal customers when they are confident with the seller. Conversely, W-shopping is particularly vulnerable to distrust which may lead to not only the dissatisfaction,but also the destruction of the whole group in WeChat.

Hypotheses Development

A research framework exploring the role of trust and satisfaction in W-shopping is proposed in Figure 2. Sellers on WeChat should form an environment in which customers feel confident about going through with a transaction. Three elements in the transaction process are perceived product quality, trust and satisfaction.

In an online market environment, buyers cannot meet the seller face to face, so buyers cannot scrutinize the product before making a purchase, and must make payment before receiving the merchandise. Based on social exchange theory (Blau, 1964), trust will not be established until a consumer's expectation is met. High quality product perception or other quality cues such as big brand or quality certification help buyers increase the trust to the seller. Prior studies (Harris and Goode, 2004; Kim, et al., 2004) support the effect of product or service quality on trust. Thus, we propose:

Hypothesis 1: Perceived product quality relates to consumer trust in W-shopping environment.

Trust plays a vital role because consumers may take risks of not knowing the ability and integrity of the seller. Trust also affects the long-term relationship between the buyer and seller through satisfaction. Singh and Sirdeshmukh (2000) argue trust leads to satisfaction, which in turn leads to loyalty. Their model is supported by Chaudhuri and Holbrook's (2001) study on brand loyalty. In W-shopping, the confidence on seller's capability of delivering quality product or service relates to post-purchase satisfaction. It has been found that trust can bring buyers with high level of satisfaction on the transaction (Hawes et al., 1989).Thus, we hypothesize:

Hypothesis 2: Consumer trust relates to satisfaction in W-shopping environment.

Using the American Customer Satisfaction Index, Fornell et al.'s (1996) study supports the positive relationship between consumer loyalty and satisfaction. Cristobal et al. (2007) also reveals that customer satisfaction lead to loyalty in e-commerce. Thus, we propose:

Hypothesis 3: Consumer satisfaction relates to purchase in W-shopping environment.

3. Research Methodology and Results

We employed a "Snowball" sampling procedure. A questionnaire was designed based on several interviews with WeChat marketers. 195 college students were selected as respondents. Data was collected through the distribution of the questionnaire to the members of some college student groups via WeChat. 191 students who live in 12 provinces responded. The results were statistically analyzed by using SPSS software.

To test whether perceived quality is related to trust, we use χ^2 test of independence with $\alpha = 0.05$ as criterion for significance. The results show it is statistically significant, χ^2 (16, N=191) = 314.906, p < .01Based on this finding, we can infer consumers are more likely to trust W-shopping when they perceive high quality products on WeChat. Thus, hypothesis 1 is supported.

To test whether trust is related to satisfaction, we use χ^2 test of independence with $\alpha = 0.05$ as criterion for significance. The results show it is statistically significant, χ^2 (20, N=191) = 99.35, p < .01. This supports the notion that consumers are more likely to be satisfied with W-shopping when they trust WeChat sellers. Thus, hypothesis 2 is supported.

Finally, to test whether satisfaction is related to customer purchase, we use χ^2 test of independence with $\alpha = 0.05$ as criterion for significance. The results show it is statistically significant, χ^2 (4, N=191) = 87.703, p < .01, which indicates that consumers are more likely to purchase on WeChat when they are satisfied with W-shopping. Thus, hypothesis 3 is supported.

4. Conclusions and Discussions

This paper examines the roles of perceived product quality and trust in customer satisfaction and purchase judgments in the process of W-shopping. The results support that prepurchase perceived quality relates to trust, which in turn affects post purchase consumer satisfaction leading to customer loyalty in W-shopping. These results validate Singh and Sirdeshmukh (2000) research model in the new W-shopping environment.

This study also has many practical implications. Even though W-shopping is conducted in a friend circle, it is still critical for sellers to create trust and satisfactory shopping process because some sellers may sell inferior products, sell generic products at higher price, or fail to provide post-purchase customer service.In the early development stage, product quality is a key factor that determines the growth and success of W-shopping in the future. In order for WeChat to grow effectively, it must establish trust between buyers and sellers. Based on a recent report ("Techinasia.com"), the product quality issue betrays a larger problem with WeChat ecommerce. At the moment, it lacks the oversight of a traditional ecommerce platform. As one Sina commenter put it: "Taobao has fake products but at least there's platform supervision. On WeChat you just have to trust that [the seller] has a conscience. It's unreliable" ("Uschinahpa.com").In W-shopping

context, perceived product quality is a critical element of prepurchase assessment. Without institutional safeguards (e.g., regulations), sellers may exhibit product in a group, provide official certificate of the product, issue official receipt of purchase, encourage user review/comments, or even combine with brick and mortar store to convince "friends" in the WeChat group to buy. It is also important for sellers to ensure the product quality through offering fair price, and improving after sales services such as product return or exchange to increase trust which will lead to higher satisfaction and attract repeat buyers.

5. Limitations/Directions of Future Research

To our best knowledge, this is the first empirical study in emerging area of W-shopping and it presents a solid foundation for future research. W-shopping has massive potential in China and beyond. According to Shao's (2015) report, the e-commerce market in China was $198 billion in 2014, and is showing strong growth. Additionally, B2C Internet-shopping was close to $40 billion and520 million people shopped online while 22.9% of them used cell phone for internet shopping in 2014. Future research could also specifically focus on smaller sellers to determine potentially unknown barriers to entry in this market. Currently only 11% of private WeChat sellers' monthly sales volume is above $16,000 and there are only 3% above $166,000 on average. It is critically important to examine the W-shopping process in order to increase the sales volume of W-shopping among the majority of sellers in the market.

Future studies should also expand beyond college students to determine the generalize ability of the results to other demographics. Additionally, more research is needed to further consider other antecedents of trust, along with risk, perceived benefits, and customer loyalty.

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