

E-commerce's future is in creating 'swift guanxi,' or personal and social rapport

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Despite the reputation of online marketplaces being distant and impersonal, through social technologies such as instant messaging, they can create the sense of personal and social relationships between buyers and sellers, termed "swift guanxi" in China, to facilitate loyalty, interactivity and repeat transactions, according to new research by Temple University Fox School of Business Professor Paul A. Pavlou.

Three researchers – in addition to Pavlou, Tilburg University's Carol Xiaojuan Ou and Robert M. Davison of the City University of Hong Kong – studied data from TaoBao, China's leading online marketplace, to examine the efficacy of using computer-mediated-communication (CMC) technology to build guanxi and turn impersonal one-time shoppers into loyal and committed long-term customers through personal rapport.

Guanxi is a Chinese concept "broadly defined as a close and pervasive interpersonal relationship" and "based on high-quality social interactions and the reciprocal exchange of mutual benefits," Ou, Pavlou and Davison wrote.

In the past, [online shoppers](#) have been presumed to prefer impersonal transactions, but their study argues that both retailers and customers inherently desire the kind of relationship that can be called guanxi, even if the degree and extent of communication varies by culture. For example, in China, communication before a transaction of a few dollars could take more than 45 minutes.

"Nobody would argue that [personal relationships](#) are unimportant, but it is unfathomable that people in the U.S. would engage in such extensive communications and [personal interactions](#) for a small transaction," said Pavlou, the Fox School's Milton F. Stauffer Professor of Information Technology and Strategy.

The instant messaging technology used on TaoBao allows buyers and sellers to interact immediately and to use emoticons and avatars in the negotiation and verification of the transaction details. In addition, all of the customers' messages related to a specific product are shown in a message box. Finally, the feedback system provides users with textual and numerical evaluations of buyers and sellers that further establish rapport.

"The role of CMC tools in establishing swift guanxi via interactivity, presence, and trust, suggests that buyer-seller interaction can easily and quickly transform strangers into acquaintances," the researchers wrote. "In terms of repeat transactions, the effective use of CMC tools creates a significant opportunity for online sellers who wish to reinforce swift guanxi with buyers via building buyers' trust."

With the use of CMC tools (such as [instant messaging](#), message boxes and feedback), TaoBao has achieved a loyalty rate, or "stickiness," of 71.3 percent of its customer base – the kind of loyalty that is typically associated with only brick-and-mortar retailers.

Guanxi, largely enabled by CMC tools, can help explain the success of Taobao in China despite eBay's attempts to capture China's online market with eBay China (EachNet). Currently Taobao has 96 percent market share in China compared to 0.1 percent for EachNet.

Pavlou explained the significance of the study's findings by citing an April 2000 article in *The Economist* that said: "If you don't have the

patience to learn about guanxi, old boy, you might as well pack your bags and go home."

"This study validates this warning by showing the ability of social technologies to transform online marketplaces from impersonal transactions among strangers to personal relationships among virtual friends," Pavlou said. "The future of electronic commerce lies in personal relationships virtually enabled by social technologies."

More information: The study, titled "Swift Guanxi in Online Marketplaces: The Role of Computer-Mediated-Communication Technologies," is published online in *MIS Quarterly*, a top information-systems journal.

Provided by Temple University

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