

A Review of the Impact of Social Media on Consumer Behavior

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Abstract: With the development of Internet technology, social media has gradually become an important part of people's lives, and at the same time, it has also penetrated the consumers. Various brands will use social media such as Douyin to start live broadcasts, and shout slogans in the live broadcast room, or give discounts to push the atmosphere of the live broadcast room to a climax. This form adds another color to online shopping. This study proposes that merchants can use live broadcast marketing methods to change consumers' ideas and have a very large influence. In detail, live broadcasting can reduce customers' rationality and stimulate customers' senses of wanting to consume. When a customer encounters a group of people who are very fond of a product, even if he does not have this idea at first, the herd effect will gradually make him become a part of these people; the discounts in the live broadcast room and the atmosphere of the anchor can arouse customers' desire to buy.

Keywords: Social media, Herd effect, Live Marketing, Consumer Choice.

1. Introduction

In today's digital age, the rapid growth in the number of social media users has become a common phenomenon and has now penetrated everywhere, especially in the online consumption field. Platforms such as Facebook, Instagram, Tiktok, are the most popular social media in the world. The number of Facebook users has slowed down in recent years, but this does not affect its status as the most used social media in the world [1]. According to the China Internet Network Information Center (CNNIC), China's Internet penetration rate has reached 77.5% [2]. It not only facilitates people's communication, but also brings potential business opportunities to some businesses, gradually becoming an important link between consumers and businesses. Through social media, people can easily order products online, view product information and other consumers' comments. At the same time, merchants can also get closer to customers and better understand their needs, such as using points or online live broadcasts to increase sales, change past rigid marketing methods, and further gain profits. In this process, a "herding effect" will be triggered. In online shopping, this effect means that consumers are affected by the behavior of other consumers and do the same thing due to certain uncertain factors [3]. Chen Yifen said that recommendations from other consumers are more effective than those from experts [4]. This article will discuss the herding effect of consumers, the impact of live streaming, and how social media changes consumers' minds.

2. Literature Review

2.1. The definition and characteristics of mass effect

The herding effect refers to the reduction of personal opinions and behaviors in some situations to follow the majority's choices. This situation generally manifests when individuals are uncertain about options or emergencies. At this time, individuals will be more inclined to follow most people's choices, instead of their own.

Among consumer groups, the biggest characteristic of the herd effect is blindness. Consumers may not know about certain products and services when shopping, but they will follow the behavior of others to buy the same products after being influenced by videos or other consumer reviews. The second characteristic is aggregation synergy. When a group of consumers act together, their influence will increase, so more people will join their behavior and buy the same products and services.

2.2. The role of crowd effect in consumption decision-making

The herding effect appears in many places in life, such as the buying and selling of items. Merchants will join the market through the current hot-selling series. Consumers will also follow the trend and buy items that everyone buys. Li Feng and Wei Ying once said that in digital analysis, the possibility of decision-makers' herd behavior increases through social media, network externalities, and the increase in the number of buyers. For example, it can be illustrated by the circumstances like customers' thoughts on the length of queues in supermarkets [5].

The effect of herding effect on consumer decision-making can be divided into positive and negative.

2.2.1. The positive role of mass effect in consumption decision-making

The most important positive role of mass effect is to provide consumers with useful information. In online shopping, individual consumers often encounter the problem of product information overload, which means they do not understand the product. At this time, the herding effect can become something that helps consumers speed up their decision-making, and the comments from other consumers and the quantity of product purchases become references for new consumers. The more positive reviews and purchase rates a product gets, the more likely an individual is to purchase the product. Individuals who are close to mass consumption, often make purchases because they have certain experience and information foundation, which helps consumers build trust in the product. For example, easy-to-use products have higher sales and more positive reviews, which will attract consumers to a greater extent.

On the other hand, herding can also drive market prosperity. When a product is preferred and sought after by the masses, more and more customers will join in the purchase action, and the market will also expand. This effect is of greatest benefit to merchants, because it can quickly establish its own market.

2.2.2. The negative role of mass effect in consumption decision-making

However, sometimes this can also have some negative consequences for consumers. This will lead to consumers blindly following the trend without understanding the product. In addition, merchants may take advantage of this effect to falsely advertise in order to increase sales and visibility. As a result, consumers buy products that they do not actually need or are not satisfied with, thus wasting money.

2.3. Analysis of factors affecting herd effect

Fisher, Jeffery and other researchers believe that there is a certain connection between individual behavior and environmental pressure [6]. The factors that affect the herd effect can be divided into three aspects, including information asymmetry, psychological factors and media influence.

2.3.1. Information asymmetry

In uncertain situations, people tend to follow the majority rather than follow their own thoughts. So when individuals do not have enough information, the herd effect will increase and they will imitate the behavior of others. On the contrary, if they have enough knowledge, the herd effect will decrease. In addition, sometimes the cost of obtaining information is too high, and individuals will rely on the choices of others to avoid these costs.

2.3.2. Psychological factors

As social animals, humans are more easily influenced by others because of their herd mentality. In order to avoid being isolated and excluded, individuals tend to be consistent with the majority and follow their choices. Moreover, when individuals encounter high pressure and do not know what to do, people will follow the choices of the majority to avoid taking bad consequences[7].

2.3.3. Media influence

The media also creates a herd effect in information dissemination. They shape public attitudes by reporting news, commenting, and other channels. When the media reports on something, public attention and discussion will also be affected. When the opinions of a group are in the same direction, other groups with different opinions will be influenced and then become one group.

3. The impact of Tik Tok live streaming on consumer behavior

3.1. The rise and characteristics of live streaming marketing

The development of the Internet is quietly changing people's lives, especially the rise of digital live streaming, which brings people convenience and more diversified sales methods and channels.[8]

In 2016, the number of live streaming platforms and users in China increased rapidly. According to the data report of Ailuo Consulting, as of June 2022, the scale of Chinese Internet users reached 841 million. The scale of China's live streaming e-commerce market has increased from 12 million in 2018 to 492 million (nearly 500 million) in 2023, with a penetration rate of 40.9%. Under this model, the quality of consumer shopping has also been improved to a certain extent.

Scholar Gong Xiaoxiao once said that the most significant feature of live broadcast marketing is the communication between customers and producer [9]. And the style of communication is more important than its content. Manning and Reece believed through research that maintaining the same style as customers can make customers more willing to buy their products, but they did not provide any explanation for the reasons[10].

3.2. How does live streaming marketing influence consumers' purchasing intention

Liu Feng, Yan Wang, Dong Xiaoxu, and Zhao Huawei pointed out that during the live broadcast, frequent communication between anchors and customers can allow consumers to obtain more effective information and enhance intimacy and trust. Most Tiktok anchors will keep talking about the usage and benefits of the product in their live broadcast, and actively answer customers' questions,

and some anchors often send red envelopes and coupons in the live broadcast room. Consumers can get a lot of discounts, which makes it easier for consumers to place orders. It can also create an atmosphere that stimulate the enthusiasm of the live broadcast room, and attract more customers to participate in [11].

Moreover, in recent years, some words that could stimulate consumers to make purchases have appeared in Tiktok anchors. For example, “This live will end in three minutes, and there are only last ten orders left,” which makes consumers choose not to think about the practicality of the product and directly make a purchase.

However, in some cases, live streaming does not produce positive results. If the anchor is exposed for something bad, it may reduce the sales of the product. For example, in 2024, a popular anchor who earned 30 million yuan did not pay attention to his words in his live broadcast, which caused the Internet public to boycott the brand he recommended, and finally the brand's product sales gradually decreased. So in some cases, the effect of online live streaming will not always be positive.

3.3. The impact of live streaming on Tiktok’s brand image and trust

Tiktok live broadcast can help it improve its trust. In the process of live broadcasting, the anchor will provide more detailed product information to reduce the phenomenon of information asymmetry, making consumers further deepen their trust in Tiktok. Moreover, it can also enhance user loyalty. Live broadcast can enhance user loyalty in some cases, because live broadcast attracts those customers, so they will frequently use Tiktok as the platform to participate in live broadcasts.

4. Changes in consumer psychology in the social media era.

4.1. The impact of social media development on consumer decision making

Nowadays, social media has become a way for people to get information. People can view comments of videos or products through social media such as TikTok and YouTube. Such platforms can help customers get news quickly, and makes consumers more dependent on social media. However, the comments on social media can also confuse consumers because each customer has mixed reviews of the product, and others will feel depressed in making decisions and don’t know what to choose.

Social media will use big data to recommend things that consumers like. The personalized service improves accuracy and meets the real needs of customers.

But since everyone has the right to speak on the Internet, many negative reviews will be posted. When consumers see these reviews, they will become less willing to buy those products.

4.2. Consumers’ information acquisition and dissemination on social media

Social media makes it easier for users to obtain information, including using platforms such as Weibo and Tiktok. The content on these platforms covers a wide range of content, including education, entertainment, and news. Consumers can easily search for the information and products they want in the search bar. In addition, the content of social media is updated very quickly, so consumers can also pay attention to the latest happenings.

On the Internet, every user can post videos and pictures. They can share product links by posting content. They can also comment and reply in the video comment area. This form of interactive communication can help consumers get other people's opinions and help, further understand products and information, exchange experiences, and recommend more products. Information can also be passively received by browsing hot topics. Social media has a strong influence, which can trigger public discussions and influence consumer choices. Therefore, companies attach great importance to brand image on social media.

4.3. Consumer brand awareness and loyalty on social media

Individual comments and sharing on social media have a great impact on brands. Positive comments can increase the number of potential users and attract other customers. But negative comments can reduce the quantity of their customers. Social media also provides brands with a stage to show their strengths, attract more customers and increase their visibility, accumulate user loyalty through promotional activities such as discounts, and finally bring more profits to the company. Furthermore, brands on social media can increase consumers' willingness to buy, for example, because they feel a sense of belonging online. Some people can share products and communicate on social media, thus creating connections and loyalty. When consumers become dependent on the brand, they are more likely to make repeat purchases or recommend the brand to their friends.

5. Conclusion

The main objective of this study was to investigate the impact of social media on consumer behavior. The core questions guiding this study are the herd effect on the Internet, the impact of live streaming and how social media changes consumer behavior. Social media has had a profound impact on contemporary consumers. With the development of more functions and scenarios, social media has become more and more important in the minds of enterprises. Companies need to understand consumer demands through social media to improve their competitiveness. This study finds that consumers will make decisions influenced by the herd effect, and its influence will be greater as the crowd expands. The second finding is that the atmosphere in Tiktok live streaming can drive consumers' willingness to make purchases, because the anchor will use methods to make their live streaming more lively, which will promote sales. Finally, social media can also allow consumers to quickly obtain information, which may be related to the benefits of the product or some negative comments. However, there is no reason for the evidence in some articles, such as whether the same live streaming style as the customer can increase the customer's desire to buy. Future research will study more factors, such as the shopping convenience and customer experience of online shopping, and customer data privacy and trust in the brand.

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