

How Group Leaders Build Stable Community Buying Groups: A Perspective Based on the Differential Mode of Association

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Abstract. Since 2016, community group buying has grown significantly in China, largely driven by its efficient logistics, supply chains, low prices, and convenience. This model has been further popularized during the COVID-19 pandemic due to its effectiveness in meeting daily needs while minimizing human-to-human contact. A key component of this business model are the "group leaders" - influential individuals within a community responsible for managing group buying activities, which include order collection, supplier liaison, and goods distribution. Their primary task is to form and sustain a reliable community group buying consortium, a task that demands excellent organizational and interpersonal skills. This paper examines this phenomenon using the lens of the differential mode of association, a theoretical model explaining interpersonal relationships in traditional Chinese society. The research indicates that group leaders, through regular interaction with consumers, are able to alter their social network position, increase their influence, understand consumer needs, provide satisfying services, and enhance trust, thereby transforming consumers into loyal group buying participants. This transformation not only brings stability to group buying activities but also reinforces the community influence of group leaders, thus fostering the growth of community group buying.

1 Introduction

Community group buying is a shopping model that emerged in China in 2016. It typically revolves around community group buying groups and combines online and offline elements. The general process of this model involves consumers placing pre-orders through community group buying groups, and the merchants delivering the products to the group leader, who then distributes them to the consumers using different methods. Since the outbreak of the COVID-19 pandemic, the Chinese community group buying market has experienced explosive growth. In 2021, the market size reached 120.51 billion yuan, representing a year-on-year growth of over 60% [1]. Community group buying follows a typical C2B (Consumer-to-Business) model, with the group leader serving as a key node in the process. Community group buying groups are generally categorized into two types: those formed spontaneously by community residents and those initiated by commercial capital platforms. The group leaders in the former type are usually individuals with higher reputation within the community, while in the latter type, they are typically appointed by commercial capital platforms. The primary responsibilities of a group leader include establishing the group, attracting customers, collecting orders, finding suppliers, distributing goods, and handling after-sales issues. Group leaders receive compensation from each completed order. The differential mode of association refers to the social relationship pattern in traditional Chinese society,

characterized by a hierarchical order and distinctions of closeness or distance between individuals.

This study takes the network form embedded with the differential mode of association as a starting point, focusing on the group leaders of community group buying groups initiated by commercial capital platforms (hereinafter referred to as group leaders). It analyzes how they change their position in the social network of consumers using various methods in order to establish community group buying groups with a stable customer base.

2 Literature review

2.1 Community group buying

Currently, academic research on community group buying mainly focuses on three aspects. First, there are factors that influence consumers' use of community group buying. Hongsuchon and Li constructed a model based on social identity theory and found that customer participation behavior significantly influences purchase intention through the mediating role of community identity, with privacy concerns negatively moderating the impact of community identity on purchase intention [2]. Zhang, Hassan, and Migin, using the Unified Theory of Acceptance and Use of Technology (UTAUT) and the perceived risk theory, conducted data analysis on 280 survey questionnaires. They found that performance

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expectancy, effort expectancy, and social influence have a significant positive impact on the purchase intention of community group buying consumers, while convenience conditions and perceived risk do not have a significant positive impact [3]. J.J. Wang et al conducted qualitative surveys in multiple locations and found that consumers' motivations for participating in group buying are to discover ideal brands, obtain the best products and services at discounted prices, and protect their rights in under-regulated markets [4].

Second, there is research on group leaders. Yan Daocheng and Li Feiwen used ethnographic field research methods and found that group leaders primarily build interpersonal trust with consumers through emotional labor, which involves emotional interactions both online and offline, thereby creating consumer demand [5]. Zhang Jingmin and Sun Xiaochen believe that platforms should develop incentive measures to increase the efforts of group leaders, as information asymmetry is an important factor affecting the coordination of community group buying supply chains, and incentive mechanisms can mitigate the negative impact of information asymmetry [6].

Third, there is research on the operational mechanisms of community group buying. Xin Xiaohai suggests that community group buying adopts a pre-sale and bulk purchase model, reducing intermediate costs and offering price advantages. Additionally, it benefits from neighborhood trust, which drives purchasing behavior. However, due to limitations in product variety, community group buying lacks core competitiveness compared to e-commerce platforms, and ensuring the loyalty of part-time "group leaders" is also challenging [7].

2.2 Network

Some studies have analyzed the network organizational characteristics of community group buying. J. Li et al. argue that community group buying is a typical complex social network, where the network structure, member size, interaction frequency, and purchase quantity depend on effective communication of perceived service quality (PSQ) by customers [8]. Additionally, empirical analysis by Choi, Galeotti, and Goyal has demonstrated that different network organizational forms have varying transaction efficiency, and the position of market participants within the network can influence their market power [9].

2.3 The differential mode of association

Research on the differential mode of association mainly focuses on the concept and characteristics of the mode. Yan Yunxiang argues that the differential mode of association includes not only horizontal distinctions based on closeness or distance but also vertical distinctions based on social status [10]. Qin Pengfei suggests that when using the differential mode of association as a theoretical tool to analyze real-world issues, the analytical path of structural functionalism should be followed [11].

Existing studies have primarily focused on the characteristics of community group buying itself and its influence on consumer decision-making, but there is insufficient attention given to how group leaders build stable community group buying groups. Building upon previous research, this article examines how group leaders attract customers and establish community group buying groups with stable demand by introducing the embeddedness-differential pattern network organizational form.

3. The process of building stable community buying groups under the differential mode of association

According to the definition of the differential mode of association, the social relationship network of a specific consumer exhibits a ripple-like pattern [10]. Individuals who have close relationships with this consumer are located in the inner circle of the network, while those with distant relationships are located in the outer circle, as shown in Figure 1. The degree of closeness in relationships is determined by factors such as kinship, geographical proximity, and occupation. The degree of closeness in relationships determines the depth, breadth, and patterns of interaction between individuals. For example, generally, consumers have a higher level of trust in individuals located in the inner circle, are more influenced by them, and are less likely to refuse their requests for help. On the other hand, consumers have a lower level of trust in individuals located in the outer circle, are less influenced by them, and are more likely to refuse their requests for help. Additionally, an individual's social status can also influence the interaction between consumers and that individual. For example, generally, the higher an individual's social status, the more consumers trust them and the greater their influences on consumers.

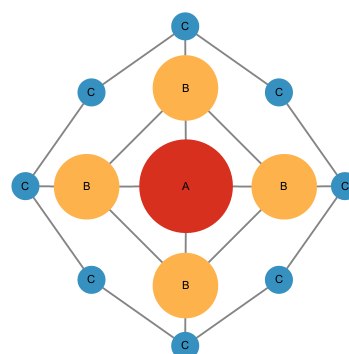


Fig. 1. Social network under the differential mode of association (Photo credit: Original).

3.1 The beginning: first-time customers

Under the differential mode of association, at the beginning, group leaders are not trusted by consumers and have low influence for the following reasons: Firstly, there is no existing interpersonal relationship between

group leaders and consumers; secondly, as group leaders make a living by promoting products, they are easily labeled as "small vendors" or "salespeople" by consumers. Moreover, consumers perceive that the group leaders "need something from them," placing group leaders in a relatively disadvantaged position during the initial interaction with consumers. It is costly and inefficient for group leaders to promote their products to consumers during this stage.

3.2 The process: transition from prospects to regular customers

To gain consumers' trust and transition them from prospects to regular customers, thereby changing their position in the consumers' social relationship network, group leaders generally employ the following methods.

Firstly, they add consumers to the group buying group. This step is crucial as group leaders can only establish contact and interaction with consumers by adding them to the group. Group leaders are willing to invest certain financial and time costs, such as promising "small gifts for joining the group," distributing flyers in the community on a long-term basis, or even volunteering for community service. Group leaders may also ask their loyal customers and friends to help recruit new members by promising future discounts or free gifts. Additionally, many group leaders hold a simple entry ceremony for new members, using exaggerated language and emojis to express welcome and distribute small red envelopes with a large number of recipients but small amounts. This aims to quickly establish a collective identity for new members, strengthen their sense of presence and participation, and integrate emotional connections between the group leader and all group members. In fact, due to the embedded differential mode of association in the social relationship network, the number of participants and the word-of-mouth reputation of the group are important factors influencing consumers' decision to join the group [12].

Secondly, group leaders use online interactions to build closer relationships. They engage in online interactions by liking and commenting on consumers' social media posts.

Thirdly, they enhance relationships through offline interactions. In addition to online interactions, group leaders also engage in offline activities to strengthen their relationship with consumers. Common methods include free home delivery, bringing daily necessities to consumers during delivery, or assisting consumers in receiving packages.

It is important to note that the measures taken by group leaders to establish closer relationships with consumers mentioned above do not have a specific chronological order. However, they generally follow the principle of varying levels of closeness under the differential mode of association, adhering to different interaction patterns between individuals with different levels of closeness in relationships. For example, group leaders generally do not privately promote products to newly joined consumers or ask for their help in promotion. The reason behind this is that if group leaders engage in behaviors that exceed the

current level of intimacy between themselves and consumers, such as frequently promoting products privately to newly acquainted consumers, the consumers may feel offended or annoyed, intentionally ignore or distance themselves from the group leader, and the relationship between the two may regress. Additionally, the online and offline interactions between group leaders and consumers are essentially an investment, aiming to make consumers feel indebted to the group leader. In order to repay this "debt of gratitude," consumers are expected to find ways to "reciprocate," otherwise, it would violate the principles of interpersonal communication under the differential mode of association. The way consumers repay the group leader is by purchasing the promoted products. However, the benefits for the group leader go beyond this. Throughout the process of accumulating and settling these "debts of gratitude," the relationship between the group leader and the consumer gradually strengthens, and the group leader gets closer to the inner circle of the consumer's social relationship network. Furthermore, once a consumer owes the group leader a "debt of gratitude," even if this debt is repaid, the relative status between the two will permanently become more equal.

3.3 The results: establishment of a network of regular customers

Through the aforementioned methods, group leaders successfully change their position in the consumers' social relationship network, becoming inner circle members with close relationships and equal status to consumers. This change signifies a shift in the interaction pattern between the two parties. Specifically, firstly, when facing product promotions by group leaders, even with incomplete information, consumers tend to believe that the products offer good value and are more inclined to choose to purchase from the group leaders. Secondly, if any issues arise with the products promoted by the group leaders, consumers tend to attribute them to the supplier or regard them as occasional accidents, rather than opportunistic behavior intentionally undertaken by the group leaders. This reduces the group leaders' after-sales maintenance costs. Finally, when faced with other requests from the group leaders, such as inviting friends and family to join the group or giving positive reviews for products promoted by the group leaders, consumers are more likely to comply.

4. Limitations and outlooks

This study has the following limitations: Firstly, due to the relatively short emergence of community group buying and its primary existence in grassroots communities, there is currently a lack of accurate and authoritative data in academia regarding the scale and transaction frequency of community group buying. Secondly, this article focuses on the influence of group leaders' behavior on consumers from a perspective of the differential mode of association, while neglecting other factors that may affect consumer behavior, such as the

low-price effect of community group buying. Thirdly, this article primarily focuses on the interaction between consumers and group leaders, overlooking the interaction between consumers and manufacturers, as well as between group leaders and manufacturers.

The key to establishing a stable community group buying group for group leaders lies in adhering to the informal social norms rooted in the differential mode of association. However, this also brings about some problems. Firstly, unlike formal regulations such as laws, informal norms do not have enforceability, and whether they are followed primarily depends on the personal qualities of the participants, which results in lower costs for participants to engage in opportunistic behavior. In fact, incidents such as suppliers providing inferior products, group leaders engaging in false advertising, or consumers taking away items purchased by others during pickup often occur in community group buying. Secondly, the embedded social relationship network based on the differential mode of association originates from the traditional agricultural society in China, which is rooted in small-scale farming economy, family as the basic unit, and kinship as the bond. However, with the rapid changes in contemporary Chinese society—specifically, the deepening development of industrialization and urbanization, as well as the rapid decline in marriage and fertility rates—the disintegration of family structures has occurred. Consequently, the social relationship networks of contemporary Chinese people, especially the younger generation, are also undergoing rapid transformations. In the future, these changes may potentially impact community group buying.

5 Conclusion

Under the differential mode of association, the interaction patterns between individuals are influenced by their level of intimacy and social hierarchy. Through online and offline interactions, group leaders change their position in the consumers' social relationship network, acquire interaction patterns that are more favorable for promoting their products, reduce operating costs, improve operational efficiency, and increase user loyalty, thereby establishing a stable community group buying group and maximizing their own interests. However, the reliance of community group buying on informal norms and the drastic changes in Chinese social structure may potentially disrupt the existing community group buying patterns.

Therefore, in order to promote the healthy development of community group buying, the government should swiftly improve relevant laws and regulations and strengthen enforcement actions, increasing the cost for participants who engage in opportunistic behavior. Meanwhile, platforms and group leaders should actively acknowledge the profound changes in China's socio-economic structure and cater to the needs of small families and individual consumers. They should explore new models of community group buying to turn potential crises into opportunities.

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