**CHAPTER II**
**LITERATURE REVIEW**

The theoretical foundation of this research will be detailed in this chapter, including an explanation of social presence, immersive experience, positive emotions, and purchase intentions. The study hypothesis and conceptual framework will also be explained in this chapter.

## 2.1 Theoretical Background

### 2.1.1 Social Presence

Social presence is defined as the sensation of 'being with' and interacting with someone in another place (Almeida *et al*., 2013). According to the social presence theory, social presence is a requirement for effective communication (Riedl *et al*., 2013), and high levels of social presence have a favorable impact on interpersonal engagement and communication (Gooch and Watts, 2014). The impact of social presence during communication affects the relationship's sense of relationships, which has a favorable impact on people's emotive experiences like absorption and engagement. Because intimacy can enhance processing of information and promote an engaging atmospheric experience (Gooch and Watts, 2014; Ou *et al*., 2014). In other words, it's likely that the feeling of social presence will encourage subjective immersive experiences.

Social presence in virtual environments is defined as "the extent to which a medium allows users to experience others as psychologically present" (Hassanein and Head, 2005). In a mediated setting, it might be viewed as users' knowledge of others (Shin and Choo, 2011; Shin, 2013, 2019). Social presence is significantly correlated with "warmth" and "interactive" experience in virtual environments (Fang *et al*., 2018). When a virtual environment exudes warmth and friendliness from real people, it will be considered to have a high level of social presence (Hassanein and Head, 2007).

### 2.1.2 Immersive Experience

Immersion is the experience of forgetting the real or everyday world and becoming completely involved in the mediated world. The term "immersion" is used to describe how absorbed or engaged viewers are (Fang *et al*., 2018). Shin (2019) claims that immersion in a virtual reality system is the subjective impression of objective qualities. Thus, only the viewers can assess immersion. Yim *et al*. (2017) discover that immersive experiences result in enjoyment, attitude toward mediums, and ultimately purchasing intention while assessing the function of augmented reality in e-commerce. Due to the user experience of spatial presence perception, consumers will feel a high level of excitement and satisfaction during an immersive experience. As a result, Huang *et al*., (2022) define immersion as an unconscious experience, primarily an internal experience in which consumers are totally involved and capable of enjoying everything when watching a livestream.

### 2.1.3 Positive Emotions

Gable and Harmon (2010) define positive emotion as a cognitive process that includes a range of components such as pleasant feelings, visual or physical expressions, evaluations, and, most significantly, behavioral plans and levels of activity. While purchasing, positive thoughts regarding a product or service might improve product perceptions and lead to increased consumer buy intentions (Guo *et al*., 2020). Previous study has found that sentiments like delight, excitement, happiness, joy, enjoyment, and satisfaction are all considered positive emotions (Laros & Steenkamp, 2005).

It has been established that incorporating pleasant emotions as variables might lead to a better understanding of users' experiences in hedonic technology-mediated environments (Huang *et al*., 2013). Positive emotions, for example, have been shown to be essential for creating better experiences in virtual environments such as Second Life (Flavián *et al*., 2019; Huang *et al*., 2013). Visuals and esthetics are important for social networks like Instagram, which can be regarded of as hedonic technologies

(Casaló *et al*., 2017), because they encourage users and businesses to share content that makes followers happy (Lup *et al*., 2015; Sheldon and Bryant, 2016). Instagram's hedonic nature explains the critical role that joyful experiences play on the network.

**2.1.4 Purchase Intention**

Intention is fundamentally personal and attached to behavior. When a person has an intense need for something, he or she will have the strength or courage to engage in such behavior in order to get it. The purchasing intention generates motivation within a person's mind, which eventually leads to a strong desire to meet his or her needs. Purchase intention is often prompted by a high level of stimulation, whether from marketing or the environment (Soebagyo and Subagio, 2014). Individuals then process the stimulation based on their own characteristics before making a purchasing decision (Kotler *et al*., 2005). The five steps of the purchasing decision process employed by the consumer before, during, and after the purchase of a product were explored, including (1) need recognition, (2) information search, (3) evaluation of alternatives, (4) purchase decision, and (5) post-purchase behavior. These stages are used to evaluate the factors that influence what, when, and why a consumer acquires a product.



**Figure 2.1 Five Stages of Buying Decision Process**
Source: Rice (2023)

1.      Need Recognition

The first stage is need recognition, which occurs when the customer perceives a

problem or a need. Internal and external causes might both trigger a desire. Internal stimuli occur when a person's normal needs (hunger, thirst, and physiological need) become excessive to the point of becoming a drive. In the meanwhile, environmental stimuli are present. For example, someone may become hungry after smelling freshly cooked chicken. This is the stage at which marketers should examine the consumer to understand what aspects might give the consumer desire; what they require, and what social issues may occur that may cause the consumer to purchase a specific product.

2.	Information Search

At this point, the consumer is motivated to conduct additional study on a specific product. Internal and external sources of information can be used to look for information (Utkarsh and Medhavi, 2015). Internal sources are stored in the consumer's memory and consist of prior experience and all information that they can recall when faced with a purchase situation in the future, whereas external sources are controlled by the marketer, family, or friends. The consumer's willingness to look for information is determined by the consumer's motivation and the ease with which more information can be obtained. Consumers can obtain knowledge to assist them in making purchasing decisions. This motivates marketers to create effective marketing appeals in order to make prospective customers conscious of and knowledgeable about their products. Marketers must also determine which other brands consumers will evaluate so that they can identify their competitors.

3.	Evaluation of Alternatives

The stage alternative evaluation is where the consumer analyses the information gathered in order to eventually choose a brand. Consumers evaluate alternatives based on several concepts, including: (1) product attributes, where consumers see some benefits that can be obtained from a product/service and can satisfy their need, (2) degrees of importance to each attribute and product characteristics, (3) brand beliefs, also known as brand image, and (4) utility function for each attribute, which is a concept that measures the satisfaction that consumers will receive for choosing or purchasing a product. The evaluation of alternatives by consumers is primarily

determined by the individual and the purchasing circumstance. Some consumers conduct logical evaluations and calculations before purchasing goods, while others seek advice from friends or family. Some consumers conduct little or no evaluations at all; they buy impulsively and depend on intuition. Marketers must investigate how consumers assess brand alternatives to influence consumer purchasing decisions.

4.      Purchase Decision

This is the point at which the customer purchases the product. Unexpected situational factors have the greatest impact on purchase intent. Consumers may already have a purchase intention based on such expectations (income, price, and product benefits), but unexpected situational factors may emerge and alter the purchase intention. Unexpected situational factors may cause another urgent buy, reducing the intention to purchase desired goods. Because of perceived risk, a consumer's choice may change or be postponed. When consumers are unsure about a product, they frequently experience dread and anxiety. Marketers must determine the factors that may cause consumers to perceive risk and provide clear information to reduce that risk.

5.      Post-purchase Behavior

Post-purchase behavior is the final stage of buyer choice, where consumers act on their happiness and dissatisfaction with a product. The relationship between customer expectations and perceived performance drives this behavior. Satisfied customers are disappointed if the product falls short of expectations, while satisfied ones are satisfied if the product performs better than expected. Marketers should monitor consumer satisfaction and encourage customers to share their dissatisfaction to improve business performance. Maintaining satisfied customers leads to favorable comments, reduced attention to competitor promotions, and potential future purchases.

## 2.2 Previous Studies

**Table 2.1 Previous Studies**

| Author and Title of Article | Variables | Analysis Tool | Conclusion |
|---|---|---|---|
| How Social Presence Influences Consumer Purchase Intention In Live Video Commerce: The Mediating Role of Immersive Experience And the Moderating Role Of Positive Emotions | 1. Social Presence<br>2. Immersive Experiennce<br>3. Positive Emotions<br>4. Purchase Intention | Hayes' PROCESS Model | 1. Social presence affects the purchase intention.<br>2. Social presence does not affect the purchase intention.<br>3. Immersive experience affects the purchase intention.<br>4. Positive emotions moderate the effect of social presence on immersive experience.<br>5. Immersive experience mediates the effect of social presence toward purchase intention. |
| The Impact of Danmu Technological Features on Consumer Loyalty Intention Toward Recommendation Vlogs: A Perspective from Social Presence and Immersion (Yang *et al.*, 2021) | 1. Pseudo-synchronicity<br>2. Danmu-content congruency<br>3. Parallelism<br>4. Social presence<br>5. Immersion<br>6. Continuance intention<br>7. Vlogger-product congruency<br>8. Positive WOM intention | Partial Least Squares Structural Equation Modeling (PLS-SEM) | 1. Pseudo-synchronicity, Danmu-content congruency, and Parallelism affect the social presence.<br>2. Social presence affects immersion.<br>3. Vlogger product congruency moderated the correlation between social presence and immersion.<br>4. The consumer's experience of immersion increases continuance intention and positive WOM intention towards a Danmu-enabled rec-vlog. |

| Author and Title of Article | Variables | Analysis Tool | Conclusion |
|---|---|---|---|
| How live streaming influences purchase intentions in social commerce: An IT affordance perspective (Sun *et al*., 2019) | 1. Visibility 2. Metavoicing 3. Guidance Shopping 4. Immersion 5. Presence 6. Social Presence 7. Telepresence 8. Purchase Intentions | 1. SPSS19.0 2. SmartPLS3.0 | 1. The visibility, metavoicing and guidance shopping affects immersion and presence. 2. Immersion affects the purchase intention. 3. The presence (social presence and telepresence) affects the purchase intention. |
| Creating Immersive and Parasocial Live Shopping Experience for Viewers: The Role of Streamers' Interactional Communication Style (Liao *et al*., 2022) | 1. Interaction Orientation 2. Expertise 3. Attractiveness 4. Immersion 5. Parasocial Interaction 6. Purchase Intention | A Structural Equation Modeling approach | 1. Interaction communication affects immersion and parasocial interaction. 2. Immersion affects the purchase intention. 3. Parasocial interaction affects the purchase intention. 4. The skill of streamers moderates the influence of their interaction orientation on immersion and parasocial interaction. 5. The attractiveness of streamers helps to mitigate the influence of their interaction orientation on immersion and parasocial interaction. |

| Author and Title of Article | Variables | Analysis Tool | Conclusion |
|---|---|---|---|
| The influence of interactivity and social presence in Instagram on the continued intention of use: the mediating effects of positive emotion (Kang *et al*., 2020) | 1. Interactivity<br>2. Social Presence<br>3. Continuous Usage Intention<br>4. Positive Emotions | SPSS 23.0 | 1. The interactivity perceived by a coffee franchise Instagram account has a positive effect on social presence, positive reactions, and continued intention of use.<br>2. The higher the positive emotions, the more positively the continued intention to use was affected.<br>3. Third, the higher the social presence, the more positively it affects positive emotions.<br>4. Positive emotions have been found to play a partial mediating role in relationships where interactivity has a positive effect on continued intention of use. |
| Co-viewing Experience in Video Websites: The Effect of Social Presence on E-Loyalty (Fang *et al*., 2018). | 1. Danmu Comments<br>2. Social Presence<br>3. Group Identification<br>4. Immersion<br>5. Utilitarian Value<br>6. Hedonic Value<br>7. Social Value<br>8. E-Loyalty Intention | 1. Matrixpls<br>2. Partial Least Squares (PLS) | 1. Immersive experience and perceived benefits are essential mediators in describing the theoretical mechanism of how social presence impacts loyalty.<br>2. The existence of moderators, such as group identification, increases the impact of social presence on immersion.<br>3. The two elements of e-loyalty (revisit intention and positive WOM) are affected differently by perceived benefits. |

### 2.3 Hypotheses Development

Websites having a social presence can provide clients with more information, increasing their perceived transparency (Lu *et al*., 2016). Customers experience higher security while making purchase decisions in a more transparent commerce environment (Lee and Park, 2014). Similarly, perceived social presence may minimize the psychological gap between consumers and streamers (Darke *et al*., 2016; Lu *et al*., 2016), allowing them to form closer relationships. This indicates that customers' perceived social presence can raise their sense of intimacy with streamers (Gao *et al*., 2018) and increase their reported pleasure from their purchasing experience (Choi, 2016). Both effects can raise customers' trust in streamers and reduce product ambiguity, ultimately increasing customer purchase intention. (Li, 2019; Lv *et al*.,2018; Ou *et al*., 2014). Previous research has been done and confirmed by Sun *et al*., (2019) that social presence could affect on the purchase intention. Thus, the authors hypothesize the following:

**H1. Social presence affects consumer purchase intention positively.**

In a virtual world, social presence captures the sensation of human interaction, warmth, sensitivity, and personalness (Ou *et al*., 2014). Any media with a high social presence contributes to the immersive experience in social virtual environments (Grinberg *et al*., 2014). An increasing body of research has shown the significance of social presence in immersion. Goel *et al*. (2013) discovered, for example, that social presence ("social perception" in their study) leads to an individual's focused immersion in a virtual world situation. Fang *et al*. (2018) validated the positive influence of social presence on immersion in the context of video consumption, and Fang *et al*. (2019) validated the positive influence of social presence on online learning. The impact of social presence on immersion in the setting of vlogs was confirmed by Yang *et al*. (2021). Customers will feel at ease and immersed in a virtual purchasing environment.

(Sun *et al*., 2019). Thus, the authors hypothesize the following:

**H2. Social presence affects immersive experience positively.**


Perceived immersion could help users in determining the values and benefits they may gain from an activity (Fang *et al*., 2018). Customers are more likely to purchase when they perceive greater value and benefits (Sun *et al*., 2016). Furthermore, when customers are involved in a virtual shopping environment, they can more easily experience a state of pleasure (Yim *et al*., 2017), and their enjoyment will directly impact their buying behavior (Chen *et al*., 2017). Finally, because customers have a pleased mental state when they engage in live streaming purchasing, they will participate more actively in shopping activities and have a more positive attitude toward the products presented by streamers.

Besides that, customers' buying intentions might be influenced by immersion in two ways. For starters, the immersive experience influences users' opinions toward a website, increasing the likelihood to visit and spend more time on the site (Hsu *et al*., 2012). The pleasure of the flow experience is connected with users' intention to re-experience (O'Cass and Carlson, 2010). Thus, immersion is expected to lead to customers spending longer time watching live streaming and developing their understanding of the products, resulting in increased buy intention. Second, social value is a significant driver of purchasing behavior (Sun *et al*., 2016). Immersive experiences can boost users' perceived social value from social interactions (Fang *et al*., 2018; Koufaris, 2002). Thus, the authors propose the following:

**H3. Immersive experience affects consumer purchase intentions positively.**


Previous research has demonstrated that customers' experience of pleasure is influenced by their social presence, which influences their purchasing decisions (Huang *et al*., 2014). According to studies, having a bigger social presence has a greater favorable effect on positive emotions (Kang *et al*., 2020). Shopping, whether done in person or online, is about more than just buying and selling; it also has social

and lifestyle implications. The need of the consumer for a pleasurable emotional experience is more important than the product itself. When consumers purchase online, they cannot interact with actual things or other people, therefore there is no true face-to-face conversation. Consumers' trust in the people or goods on an online shopping platform would decrease, as will their enjoyment of social connection, impacting their propensity to buy online. As a result, businesses must imitate the sensation of face-to-face communication in the actual world so that customers may feel the presence of people when purchasing online, which can improve customers' sense of social presence and boost pleasant emotions.

Consumers are influenced by specific online purchasing experiences and the factors that influence them (Mano, 2004). During the buying process, consumers' emotional responses to the product information displayed on the online shopping platform influence their purchase intentions. According to the consciousness-emotion-value model, consumers with a greater degree of presence may have a better understanding of a product, resulting in a clearer fantasy. This imaginative thinking will arouse consumers' emotions and increase their purchase intentions (Ying *et al*., 2021). Positive emotions not only improve people's psychological states and make them feel better (Wang *et al*., 2020), but they also improve their sense of understanding, meaning, and control (Fredrickson and Barbara, 2013). Thus, the authors propose the following:

**H4. Positive emotions moderate the effect of social presence on immersive experience positively.**

Through immersive experience, website interactivity and vividness influence purchasing (Lim and Childs, 2020). However, without interactions with customers, social presence cannot be developed. Immersive experience is one of the key mediators that explains the theoretical process of how social presence influences loyalty (Fang *et al*., 2018). In the context of e-commerce, the online retail environment influences consumers' emotional and cognitive states, which in turn influence their purchasing

decisions (Eroglu *et al*., 2003).

   As a result, the authors claim that when there is a high level of social presence, customers perceive a high level of immersion, which may increase their buy intentions. As a result, they propose the following hypotheses:

   **H5. Immersive experience positively mediates the effect on social presence to purchase intention positively.**

## 2.4 Conceptual Framework

   The conceptual framework below consists of four variables: social presence as the independent variables, immersive experience as the intervening or mediating variables, and positive emotions as the moderating variables. Finally, purchase intention as a dependent variable in this study. This framework is adopted from Huang *et al*., (2022) study, which shows the effect of social presence and immersive experience in the relationship with positive emotions.
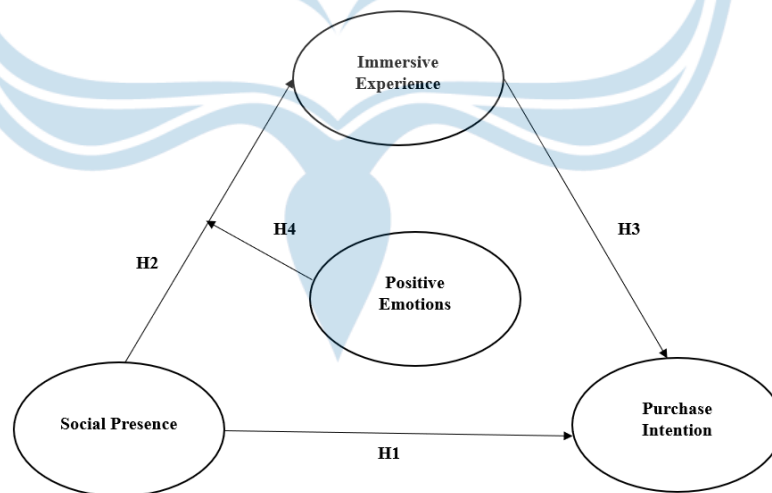


**Figure 2.2 Research Model**
Source: Huang *et al*., (2022)