A Model of Community-Based Live Selling

by

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ABSTRACT

An emerging trend in direct-to-consumer (DTC) selling is live streaming to consumer communities. Through community-based selling, a seller builds social bonds with consumers and facilitates interactions among them. These social connections generate two effects: seller-community bonding, which enhances consumer loyalty, and within-community bonding, which enables social learning in purchase decisions. Social learners—consumers cognitively constrained from evaluating product quality—may mimic the choices of self-decision makers who are more informed. The urgency of live selling further incentivizes self-decision makers to act quickly, thereby strengthening the social learning signal for others.

We develop a game-theoretic model to examine this ecosystem. First, we find that the seller benefits from targeting social learners only when product quality is not very high; with high-quality products, it is optimal to focus solely on self-decision makers. Second, the presence of social learners can increase consumer surplus for both groups, especially when social learners are more inclined to follow. Third, if the seller can educate social learners to become self-decision makers, higher educational effectiveness enables the seller to charge a premium for moderately good products. However, this may reduce consumer surplus for both groups. Finally, although expanding the consumer community is not always optimal—even when costless—a more effective education mechanism makes community expansion more attractive.

KEYWORDS: Live Streaming E-Commerce, Live selling, Consumer Community, Real Time Retailing

BIOGRAPHY

D. J. Wu holds the Ernest Scheller Jr. Chair in Innovation, Entrepreneurship, and Commercialization and is a Professor and Area Chair of IT Management at the Scheller College of Business, Georgia Institute of Technology.

Dr. Wu's research focuses on the economics of digital innovation and transformation, digital business model innovation, platform ecosystems, enterprise IT, and the intersection of artificial intelligence and machine learning with business. His work has been published in top-tier academic journals including Management Science, Information Systems Research, MIS Quarterly, and Production and Operations Management. In 2023, he was named a Distinguished Fellow by the INFORMS Information Systems Society.

Prof. Wu currently serves as a Department Editor for Management Science in the Information Systems department. He is also a Co-Editor for two special issues: The Human-Algorithm Connection at Management Science and Analytical Creativity at Information Systems Research. His prior leadership roles include serving as Senior Editor at Information Systems Research (2018–2020) and President of the INFORMS Information Systems Society (2019–2021).