

Social Media Retailing in the Creator Economy

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Abstract : Social media retailing (SMR) platforms have become popular nowadays. It is characterized by a creative combination of content creation and product selling, which differs from traditional e-tailing (TE) with product selling alone. Motivated by real-world practices like social media platforms “TikTok” and douyin.com, we endeavor to study if the SMR model performs better than the TE model in a monopoly setting. By building a stylized economic model, we find that the SMR model does not always outperform the TE model. Specifically, when the SMR platform collects less commission from the seller than the TE platform, the seller, consumers, and social welfare all benefit more from the SMR model. In contrast, the platform benefits more from the SMR model if and only if the creator’s social influence is high enough or the cost of content creation is small enough. For the incentive structure of the content rewards in the SMR model, we found that a strong incentive mechanism (e.g., the quadratic form) is more powerful than a weak one (e.g., the linear form). The previous one will encourage the creator to choose a much higher quality level of content creation and meanwhile allowing the platform, consumers, and social welfare to become better off. Counterintuitively, providing more generous content rewards is not always helpful for the creator (seller), and it may reduce her profit. Our findings will guide the platform to effectively design incentive mechanisms to boost the content creation and retailing in the SMR model and help the influencers efficiently create content, engage their followers (fans), and price their products sold on the SMR platform.

Keywords : content creation, creator economy, incentive strategy, platform retailing

Conference Title : ICOMIE 2024 : International Conference on Operations Management and Industrial Engineering

Conference Location : Paris, France

Conference Dates : July 18-19, 2024