

Chapter 1. Introduction

Underscoring its important role in business activities, word-of-mouth is generally the preferred method by most consumers for collecting information when they lack it on a particular topic. According to previous research, as it is the least biased according to consumers, word-of-mouth is more believable versus other information sources (Paul *et al.*, 1991; Richins, 1983). Thanks to this perceived advantage, the Internet plays a critical role in today's economic and social life and has become almost indispensable for daily communication. This phenomenon and the increasing number of Internet users have contributed to the growing influence of networked communications, shifting traditional word-of-mouth to a new form called Internet word-of-mouth (eWOM). Visible eWOM, which supports anonymity and asynchronous communication distribution, attracts a wider range of consumers, thereby becoming important as it affects business performance. Practitioners and marketing scholars increasingly pay attention to eWOM. Since 2000, more and more domestic and foreign scholars have been engaged in the study of eWOM marketing, but the applicability of the results require further development.

Online WOM marketing can succeed by following the “spread” rule, namely, guiding the spread of those in favor of the enterprise. Previous research mainly focuses on the motives behind its spread, the factors associated with this, the influences on consumer psychology and behavior, and business performance. As part of a consumer's psychology and behavioral response, WOM is notably associated with social and cultural backgrounds. In the past, few scholars have undertaken the study of cultural differences in the context of WOM in terms of its influence on procurement. No comparison has been made on differences in WOM between two culturally distinct countries such as China and Japan. However, cultural differences may result in different WOM marketing. Thus, there is need for more research on difference in the acceptance and spread of

eWOM between China and Japan to more accurately direct marketing theory and practice in those countries.

1. Background

1.1. Internet Development

A Chinese statistical report on the Internet (China Internet Network Information Center, 2016) illustrates that Chinese Internet users reached 688 million users at the end of December 2015. This is the largest number in the world and represents 50.3% of the national population. The number of Internet users and its growth rate in China increased significantly since 2005. Furthermore, enterprises and individual businesses accessing the Internet through fixed and mobile broadband increased 86.3% and 23.9%, respectively. The online market represents 33.8%. At the same time, online sales rose 32.6%. With the development of 4G communication technology, it is obvious that the Internet will play an increasingly important role in commerce.

East Asia has the most Internet users among all countries. Japan has the third highest number of Internet users in this region at 101 million, according to statista.com 2016. At the end of June 2014, Japanese IP addresses had reached 40 million and average connection speed had exceeded 15 megabits per second. From those data, we see that the Internet in Japan is also very important for businesses and in our daily lives.

An investigation of global statistics indicates that India is the second country with the most Internet users at 375 million, covering 28% of its population to recent demographic data, individuals aged 55 years old represent the largest share of the population using the Internet in Japan, and most of these users are male. In terms of reasons for using the Internet, most Japanese users are searching for information and location services. 73.6 percent of Internet users in Japan watch online video content via different devices (**Figure 1-1**).

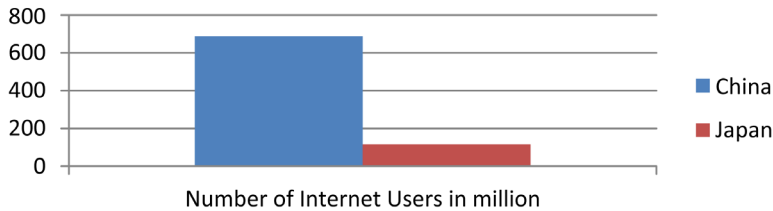


Figure 1-1. Number of internet users in China and Japan according.

In 2014, more than 54% of the Japanese users connected to the Internet via their mobile phones. In addition, among those aged 18 to 24, most such young people frequently use smart phone apps in their daily lives. On average, they spend 114 minutes using smart phone apps. The most popular app in Japan is the social network app called LINE. It reached 21.2 million users by the end of October 2013.

Additionally, in 2014, Japanese retailing income from e-business achieved 70.33 billion dollars. This is the strongest e-business market in the world. According to data on industry development, most of the online population (79%) spent money on digital products. Over 50% of Internet consumers compared products when they shopped on the Internet. Books, computer hardware, and apparel are very popular items on the Internet. The most favored website in the e-market in Japan is Rakuten; number two is the U.S. company Amazon.

1.2. Internet Community and Communication

The evolution process of human societies has fully embodied a demand and dependency on interpersonal interactions. In addition, key changes have occurred to such interactions due to the development of the Internet, among which the appearance and rapid growth of a virtual community is a typical one (Armstrong & Hagel, 1996). A virtual community is based on a computer-mediated interaction space among individuals (Lee, Vogel, & Limayem, 2003). Moreover, it is formed through long-term discussions about shared topics among a large number of individuals, in which interpersonal interactions are shaped within the cy-

berspace, thus sharing emotions among them. The members of the virtual community abide by the same regulations and share a common language, environment, values, and hobbies (Rheingold, 1993). In addition, the virtual community has become a kind of interactive platform in cyberspace with strong vitality built by computer mediation and exerting an increasingly important effect on human conduct through its speedy development.

With the rapid development of networked technology, community applications have become more and more mature so that the Internet has stepped into an era of community. From well-known community applications such as BBS, Alumni Record, Blog, SNS to Personal Space to the emerging community management topics including the community enterprise, community advertisements, community investments, and community aggregation, academic and entrepreneur circles have been focused on these issues for a long time now. As a significant element of the core competitiveness of a website, the virtual community, supported by Internet technology, has achieved high-speed development, becoming a new emerging environment for human life while providing a wide platform for the spread of eWOM.

Moreover, with the popularity of the Internet and the increase in the number of “netizens”, the influence of the spreading of this network has grown stronger. Additionally, the application of new technology has blurred the concepts of “online” and “offline” such that consumers in this era are fond of continually surfing the Internet, depending significantly on the network in both their work and personal lives. Moreover, the growth in various communication platforms such as review sites, social websites, and micro-blogs and blogs has enabled people to record and share their own experiences and thoughts online anytime and anywhere and to obtain certain self-satisfaction through the echoes of these and the replies from other users. They can acquire relevant spiritual or material rewards through their remarks, thereby arousing their enthusiasm to continue to share their thoughts so that the spread of this information will be faster and faster.

At the same time, final consumer decisions are increasingly influenced by eWOM such that individual consumer information will be processed and arranged through eWOM, which then plays a role as an important indicator for consumers faced with choices and other actions. A global survey on advertising credibility by Nielson in 2014 showed that 91% of Chinese online consumers trust products recommended by others to different degrees; and 78% of consumers investigating information trust the suggestions shared by others on the Internet, regardless whether the suggestions are from someone familiar or a stranger. The rapid growth of the Web has vigorously pushed forward the spread of online reviews on the Internet as these online reviews can effectively express consumers' thoughts and criticisms of products and services. They have widely appeared on the Internet including on retailer websites, online discussion forums, blogs, social networking sites, and online review platforms (Trusov *et al.*, 2009; Zhang *et al.*, 2010).

The importance of eWOM has already become evident in that the Internet is now a significant channel in spreading communication media, specifically, as a tool of two-way communication. Moreover, it has been dubbed the fifth media after broadcast TV, advertising, newspapers, and cable (Lv Yilin, 2008). Its development can be seen as one of the science and technology revolutions that have exerted a great effect on humans following the invention of the computer. Since its earliest military application to its current evolution, both academic and e-commerce applications have come together on the shared Internet platform. Thus, with the integration of communication, telecommunications, and new media, people today depend more and more on the Internet in their daily lives. The spreading of eWOM is not limited by time or location, so information can spread at an amazing speed, dwarfing other media channels. Moreover, such information is simultaneously spread to numerous audiences as “rolling snowballs” at the speed of “one to a million”; this speed and its influence is incomparable to traditional media. As a result, eWOM has become a research theme studied by many experts and scholars (Cheung *et al.*, 2009; Park *et al.*, 2007; Zhang & Watts, 2008).

With the approaching era of Web 2.0, consumers have more opportunities to share their shopping experiences while, at the same time, enjoying the convenience of online shopping. They can express their concerns and realize self-value by sharing their consumption experiences, which are often dubbed as eWOM. Because such information is based on consumers' insights about the consumption process and the use of products, it holds more affinity and credibility than advertisements from the sellers and can even replace and surpass the function of relatives or friends' suggestions in the traditional WOM environment.

A survey based on 58 countries showed that: 68% of consumers trust remarks on the Internet; and more than 40% of the online shoppers in China pay attention to remarks made by other consumers each time before they buy a product. Such product comments can even surpass advice from friends and experts, and have become an important information source in decision-making in the online shopping process. Additionally, a survey based on British and U.S. consumers showed that goods that attained highly positive comments increase by 55% the researcher's willingness to buy them (Econsultancy, 2010). This influence can be directly reflected in the market: a large number of studies have shown that eWOM represented by online reviews can determine the destiny of products and even companies to some degree (Chevalier & Mayzlin, 2006).

The large influence of online reviews and the intense competition among shopping websites, has forced companies to recognize that their online reviews can be a valuable information source. At the same time, the growth in the number of online reviews and the variety of venues and review forms, though providing convenience for consumers and creating value for websites and relevant stakeholders, have led to the following challenges:

- 1) Excessive information has caused the phenomenon of eWOM overload. High cognitive costs are spent when consumers are searching for information they really need, and the anxiety of consumers in the search process also has increased.

2) As networked information, such as comments on products exerts direct influence on a brand and the sales of a company, some sellers and companies have begun to control the comments to increase their sales and improve profits. According to scholars studying Amazon.com, about 10.3% of the comments are controlled by the sellers (Hu N *et al.*, 2012). Such manipulative conduct not only lowers consumer satisfaction with shopping but also becomes a serious attack on the image of the shopping website and its brands.

3) The online review systems of shopping websites largely copy the most famous international e-commerce websites. These sites follow the same process of revealing and collecting comments and thus lack any adjustment mechanism to address different countries' domestic cultures and consumers' behaviors. Therefore, the effectiveness and rationality of this process design may be questionable. Apart from cultural adjustments, the effectiveness of the review system is often influenced by factors in the system and consumer recognition.

The above challenges have influenced the shopping experiences of consumers as well as raised their suspicions about eWOM and platform operators who are the basis of the online reviews. As objective evidence confirming this trend, in a survey aimed at Chinese consumers by Nielson, the results indicate that although online consumers' comments are still considered credible information, however, incredibility is increasing compared to information from other forms (Nielson, 2014).

2. Research Gaps and Significance of Research

2.1. Theoretical Significance

According to WOM studies, today, WOM is the main factor affecting consumer psychology and behavior. However, other studies have generally neglected WOM, or have focused solely on the analysis of positive and negative WOM, with few studies addressing how multimedia WOM affects consumer behavior,

or the transmission mechanism of WOM. Multimedia WOM has become the new form that represents eWOM. In addition, with the popularity of the Internet, it has gradually become the key resource for consumer information. By combining knowledge in the fields of communication, marketing, sociology, and psychology, along with previous study results, a communication effect mechanism model for eWOM can be designed that is conducive to the research and development of theories for WOM marketing and Internet marketing. Although some studies confirm that cross-cultural WOM has a different influence on different consumers, analysis on the specific influencing factors is still needed. The characteristics of the sources of WOM, the information shared, and the receivers of the information, all have an impact on the WOM communication effect according to communication process theory. However, studies around the aforementioned three variables are still in the early stages and lack a comprehensive discussion, especially regarding eWOM in different countries.

Existing studies agree that culture is a key factor affecting consumers, meaning, that due to different cultures, consumers respond to the same information differently. Currently, studies on eWOM are mainly designed for one country, and there are few transnational studies. Moreover, previous study results may not be applicable in different cultural environments based on individual unique consumption concepts and attitudes toward the Internet. By studying consumer characteristics in different countries, we can verify and improve the theories of previous WOM studies.

One aspect of eWOM is that once accessed consumers may copy the information! They may paste this information on other websites or virtual communities, and may tell their friends. Hence, eWOM communication is an online and offline interaction process; especially, multimedia WOM, which frequently attracts consumer interest, making the drive to communicate stronger. The study of the re-communication drive of eWOM consumers can improve theories around WOM. Online WOM is both a resource and a result, which can be communicated online and offline.

2.2. Practical Significance

The unique advantage of the Internet as a medium brings out new characteristics of eWOM compared to traditional WOM such as: tangibility, easily copied, timelessness, wide influence. Discussing the effect of eWOM on behaviors of consumers in different countries clearly differentiates the study of eWOM from traditional WOM. This then enables a better understanding of the WOM information enjoyed by consumers in different countries and how eWOM is an attraction among users.

From such analyses, network platforms and virtual communities can strengthen the management of eWOM to provide a more favorable network platform for consumers. They can thereby better communicate WOM information and enhance its influence. One of the characteristics of the new economy on the basis of networked technology is the interaction between enterprises and their clients that enables one-to-one communications, thus bringing them closer together so enterprises can provide consumers with better service. Thus, the value of the Internet is brought to the forefront among enterprises; however, network marketing activities are still weak and remain largely focused on Internet advertising. By discussing in detail the effect of eWOM on consumer behaviors, enterprises can be motivated to fully supervise and monitor eWOM of their products and business and respond accordingly. Online WOM is regarded as central for an enterprise brand and its goodwill. Critical problems cited through WOM should be identified to carry out effective management. For the effective management of eWOM, it is important to solve a problem at its source. This means that enterprises will be required to do the work necessary to achieve a minimum of negative WOM caused by the enterprises themselves. Additionally, for negative WOM caused by consumers, enterprises will need to communicate comprehensive information through integrated mediums for consumers' product involvement and information distribution to weaken any negative WOM. In sum, discussing the effect of eWOM and related variables on consumers is useful for enterprises wanting to strengthen their business and consumer commu-

nications.

Online WOM is also not limited to the Internet. Consumers not only publish their experiences and emotions online but also spread information received from the Internet offline. Thus, enterprises should realize that although the Internet is just one channel for consumers to obtain information, it can also capture information obtained by consumers from other media. Therefore, a study on the communications effect of eWOM can enable enterprises to include the management of eWOM in its overall framework of marketing communications management.

3. Study Objective and Originality

The study objective of this thesis, focused on electronic retail, is to investigate the mechanism of business interaction and mutual effect between clients and service enterprises in an online e-commerce platform environment. Specifically, from the viewpoint of clients, the study reveals how eWOM influences purchasing behaviors of consumers and identifies the factors influencing eWOM; from the viewpoint of enterprises, the study reveals how enterprises influence client attitudes and behaviors by controlling eWOM to improve sales. Although there are studies that have explored the effect of eWOM on consumers and the effect of culture on consumers, respectively, these have neglected to focus on cross-cultural issues and synergies between them.

This study will address the gaps of current studies:

1) Existing study conclusions around eWOM and consumer behaviors are not perfect. At present, many studies emphasize the positive effect of eWOM on consumer behaviors, but there are still many different views around the influencing mechanism; there is, in particular, a lack of study on the influencing mechanisms in different cultures; partly the result of different product types and customer groups. This study uses personal consumer electronics as its subject:

specifically, the tablet computer. In this way, the study will enable comparability in the assessment of eWOM in different countries and the potential differences in the customers in the two countries. In addition, this study also discusses the overall trend of WOM communication among customers and compares its impact on both countries.

2) Insufficient research on the impact of Internet multi-media WOM marketing. This study believes that the content of online reviews is not the only standard that influences customers' choices. The manner and methods of information delivery and presentation also shape customers' opinions. This study explores the means of giving an opinion about a personal electronic product and their diversity and influence on different customers in a diversified information context.

3) Insufficient research on consumer trust. Albeit key to successful marketing, consumer trust has not been sufficiently studied for its role in online marketing. Consumer trust consists of different dimensions. Some recognition at various sub-levels of a product helps establish a consumer's trust in the product's online reputation. This study analyzes the relationship between eWOM marketing and consumer trust at each sub-level. It further explores the two dimensions of trust, namely, competence-based trust and integrity-based trust, and their effects on purchase intention and WOM communication.

Based on the above, this research tries to answer the following research questions:

- 1) How does eWOM influence purchase intention and disseminate intention and what is the influence mechanism?
- 2) What kind of WOM can stimulate consumer's purchase intention?
- 3) Are there any differences in the responses to the above questions in different countries?

4. Research Methods and Technical Approach

4.1. Research Methods

Given the extensive use of the Internet, WOM advertising is becoming increasingly inevitable for all enterprises, whether or not they are engaged in network marketing. By drawing theories from subjects such as marketing and communications, this study investigates what kind of planned consumer behaviors a product's online reputation could lead to and any specific influencing factors. The research methods can be summarized as follows: 1) establishing the research theme and methods based on understanding the WOM phenomena online and reading related articles; 2) proposing research models and hypotheses based on the theories and practical research of WOM communication; 3) collecting data through surveys and questionnaires; and 4) analyzing and drawing conclusions and suggestions according to the analytical results.

The abundant research on conventional WOM can be used as a reference in the further study of eWOM communications. Meanwhile, attention should be paid to the distinct nature of the Internet and its impact on WOM communications. In most cases, conventional WOM communication is confined to a limited area geographically, whereas eWOM communication is able to transcend the limit of social networks (mainly in the form of one-on-one or group communications). Conventional WOM is intangible and relies on the individual experience and impressions of consumers. The information might be distorted or blurred during the course of transmission. Internet WOM is materialized through various content and is able to convey much more diversified information vividly, increasing its appeal to consumers. As a result, research on eWOM should take into account the intrinsic properties of this media. The quantitative and visual clues employed in eWOM communication are key factors in shaping a consumer's psychology and behavior around a purchase decision. Based on the extent of their exposure to the Internet, consumers will form varied opinions towards products in terms of the above-mentioned aspects.

This study will enrich research on eWOM communication through its analysis of what impact negative WOM could have on consumer behavior based on grounded theories and any specific influencing factors. Interviews with representative consumers indicate that intention to purchase and recommend are the leading consumer behaviors. Research targeted at these two intentions make up the most representative studies of the information spread via WOM. Examining the application of grounded theories, such research shows that communicators, the content of WOM communications, the recipients, and their mutual relations are all factors that influence consumers' purchase and recommendation intentions. Trust is a conduit for eWOM to influence consumer behavior. This study establishes a theoretical model on the basis of relevant papers and research findings applied from grounded theories. This study collects data online and verifies the relations among variables based on data analysis via SPSS15.0, smart PLS, and fsQCA. It further investigates a difference in the impact of WOM communication on consumer intentions between Chinese and Japanese consumers.

The conclusion of the analysis not only supplements studies of eWOM communication but also provides guidance for enterprises to conduct eWOM marketing. Taking into account all influencing factors and their reciprocal relations, the study concludes with management advice to enterprises on potential measures to take to combat negative eWOM communication.

4.2. Technical Approach

The study investigates the influence of WOM communication on consumer behaviors and intentions and in the process employs theories of management, marketing, communications, psychology, and other related disciplines. Subject to the content and purpose of the study, the objective is to combine theories with practical analysis. Theoretical research is mainly captured based on a literature review and summary of past studies on conventional and eWOM com-

munication, eWOM communication and consumer behaviors, etc., to lay the foundation for practical analysis. Practical analysis is mainly addressed by applying grounded theory and verification to the data collected.

Literature review: This study has compiled Chinese and foreign research related to negative eWOM communication (conventional and eWOM communication, influencing factors, and consumer behavior or intentions, etc.). The studies on eWOM communication have been chosen on the basis of conventional WOM communication, capturing studies on defining concepts and variable selection. In addition, we have collected and read classic and cutting-edge papers in management, marketing, communication, psychology, and other disciplines, to enable a broader understanding and a theoretical framework for the context of this study. On the basis of the literature review and in line with cases in China, the study sets up a conceptual model on the influence of eWOM communication on consumer behavior and intentions. The design of the research variables in the model mainly refers to relevant research findings, with individual correction for representativeness.

Qualitative empirical research: Through the literature review, we know that there is scant literature on cross-culture eWOM. At the same time, we have studied grounded theories to identify the features of consumers in the cultural environments in the two countries. Grounded theories mainly include the following two questions: 1) What are the behavioral intentions of consumers once they experience negative eWOM? 2) What causes such behavioral intentions? The model concept is established on the basis of the literature review and the study of grounded theories. Additionally, during the questionnaire design stage, the questionnaire is revised through small-scale interviews to gain advice on its content and form. With the fuzzy data analysis results, questionnaire answers are converted to Boolean logic symbols to study pattern matching. We obtain macro-conclusions for the qualitative research with this method. Therefore, the qualitative empirical research includes the grounded theory, small-scale interviews, and fuzzy qualitative analysis.

Quantitative empirical research: The quantitative empirical research mainly consists of questionnaire research, information collection, and data processing, as well as the verification of all the hypotheses of the model using statistical analysis tools. The preliminary questionnaire is designed on the basis of the literature review and the questionnaire is pretested through the small-scale interviews for revision. The formal questionnaire is revised again on the basis of the pretest results analysis. Finally, the first hand data are obtained through online surveys. With corresponding data analyzed by statistical software, the hypotheses are confirmed. The methodology used in this quantitative research includes descriptive statistics analysis, factor analysis, regression analysis, PLS-SEM analysis, and fsQCA.

5. Chapter Structure

This research declared research purpose and research question in Chapter 1. Next, Chapter 2 analyzed the research background and relevant theories. Research gap are found in this chapters. Based on Chapter 2, Chapter 3 putted forward hypotheses.

Chapter 4 explained research method and how to collect data. In Chapter 5, an illustration about measurement standard is given. This chapter also showed data test results. For Chapter 6, results are discussed in detail. Finally, Chapter 7 concluded findings and implications.