

acterized by a wide range of user participation. As a result, these demands are now expected to form a market which is comparable with other general markets.

#### 4 Trend to openness and progress in collaboration

The origin of Web 2.0 can be discovered in software development through open source. The significance of open source is to link dispersed knowledge together through networks and collaborate in developing intellectual properties and overcoming challenges.

One characteristic of open source in recent years has

been that the field of collaboration has been rapidly expanded by the spread of networks including the Internet globally as well as to every field and the development into ubiquitous networks. The work of developing intellectual properties such as software heavily depends on human elements. Such progress in ubiquitous networks makes it possible to achieve collaboration which is based on much more diverse knowledge than in the past. It is thus expected that the power to develop software will increase drastically.

## Section 5

### Rise of Consumer-Generated Media

#### 1 Consumer-generated media and value of networks

As new communication tools of the Internet, two things are getting much attention: blogs and SNSs. What is common between blogs and SNSs is the fact that any individual, with or without expert knowledge, can easily transmit information; they are called “consumer-generated media,” or CGM.

While Web browsers and portal sites have contributed to the increase in Internet users, blogs and SNSs are contributing to the dramatic increase in the amount of information provided on the Internet as they turn many users who had only browsed the Net before into information providers and transmitters. In other words, the expansion of the range of information providers through blogs and SNSs is drastically raising the value

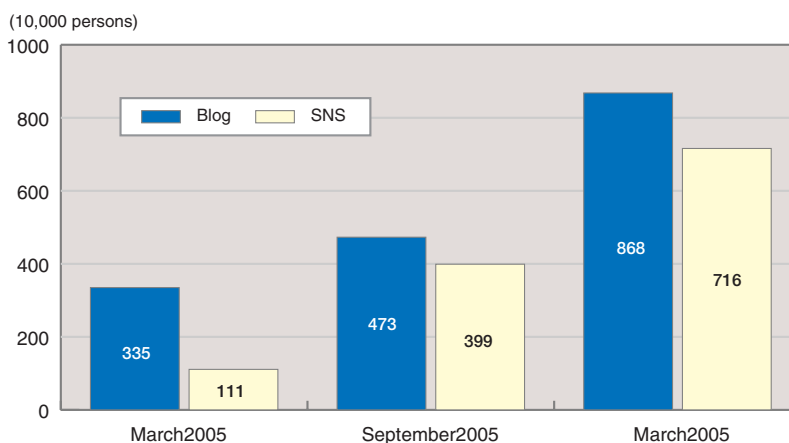
of the Internet as a database.

As of the end of March 2006, 8.68 million people were registered as bloggers, and 7.16 million were registered as SNS members (**Figure 1-5-1**).

#### 2 Blogs

A blog is a journal-like web site operated by an individual or a small group of individuals, updated on a daily basis. Its contents vary widely from individual hobbies to just about anything. Some of the factors for the popularity of blogs are (1) it is possible to create one’s own homepage simply by entering text; (2) free service is provided; (3) updating and browsing are possible even from a mobile phone; and (4) tools are available to promote more active communication, such as track back and RSS distribution functions.

**Figure 1-5-1 Transition of registered bloggers and SNS members**



Based on “Numbers of Registered Bloggers and SNS Members,” MIC

### 3 SNSs

An SNS (social network service) is a community-type Internet service provided for the purpose of providing social networks for friends and acquaintances.

Characteristics of an SNS include (1) membership; (2) the possibility of anonymous registration; and (3) a variety of well-developed communication tools.

In order to maintain reliability, many SNSs use a system in which registration is allowed only through referral by registered members. For this reason, their reliability is kept at a high level among their members as closed communities. Many registered members use their own names, while libels and other abusive incidents, often seen in bulletin boards, are not very common.

Many SNSs make tools (such as blogs) available to their users, so sometimes an SNS can be referred to as a “members-only blog.”

### 4 Influence of a Network Community

The rise of consumer-generated media is contributing to increasing the influence of consumers’ opinions and evaluations in society, such as seen in the appearance of “word-of-mouth” sites, and it is thought to advance the consumer-governance.

A “word-of-mouth” site is an Internet-based bulletin board where contributors can submit opinions and critiques based on the actual experience; browsers are in turn able to use the information there to make decisions concerning purchasing goods and services. Companies can easily find out what the consumers feel about their products or services from these sites, so this has become a crucial marketing tool. In addition, information such as the reasons for purchase, problems with the goods and services, ideas for new products can be used to develop highly effective marketing strategies.

## Section 6

### ● Changes in Consumption and Purchases

#### 1 Impact of low information cost

It has been said that “the prevalence of the Internet enhances market efficiency.” One of the reasons for this is that various networks, including the Internet, reduce information gathering cost and searching cost by various economic bodies.

Traditionally, when a consumer is about to purchase a product, the consumer had to gather information by visiting several stores using transportation. Now, such information on the product is easily accessible using networks. Such reduction in the information-gathering cost makes it easier for consumers to compare and search for information. It eliminates time- and space-restrictions between supplier and consumer as well as information mismatches; it reduces the evaluation gap on the product before and after the purchase, and as a result, the consumer satisfaction level is expected to be heightened.

#### 2 Gathering of product information and networks

As a method of gathering product information, 62.0% of consumers use the Internet prior to the purchasing; 26.1% of consumers use the Internet as an actual method for purchasing goods (Figure 1-6-1).

#### 3 Matching improved through the use of networks

Comparison among suppliers by using networks is

expected to increase the level of consumer satisfaction by making it easier for consumers to gather product information and eliminating the information gap between suppliers and consumers.

Comparison between those who gathered information using the Internet prior to the purchase and those who did not shows that the Internet-using consumer compared 5.75 stores on average whereas the non-user compared 1.62 stores on average. The Internet users have looked at and compared more stores than the non-users (Figure 1-6-2).

#### 4 Information transmission by consumers

The progress in ubiquitous networks, particularly the development of consumer-generated media, makes it easier for consumers to transmit information. Consumers are now able to hear other consumers’ opinions directly, without going through suppliers, and use that information for their purchasing decisions.

Regarding the method for submitting their own evaluation about the store or the product after the purchase, “direct communication (including the phone)” was the leading method with 15.4%, followed by “via email” (6.3%). As such, personal communication is a common method for feedback (Figure 1-6-3).