

### 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.

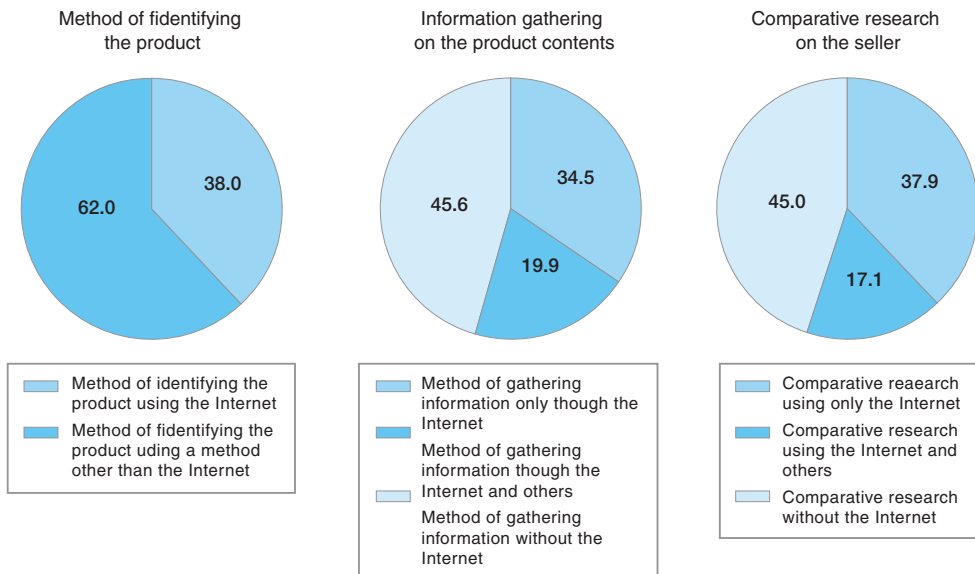
Comparison between those who gathered information using the Internet prior to the purchase and those who did not shows that the Internet-using consumer compared 5.75 stores on average whereas the non-user compared 1.62 stores on average. The Internet users have looked at and compared more stores than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

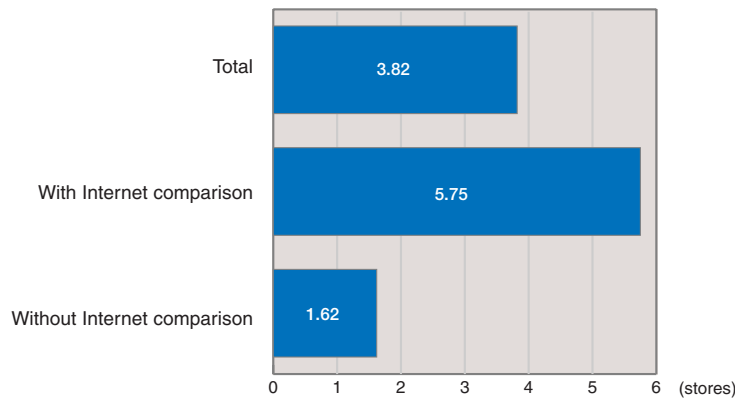
Regarding the method for submitting their own evaluation about the store or the product after the purchase, “direct communication (including the phone)” was the leading method with 15.4%, followed by “via email” (6.3%). As such, personal communication is a common method for feedback (Figure 1-6-3).

**Figure 1-6-1 Status of Internet use in gathering information**



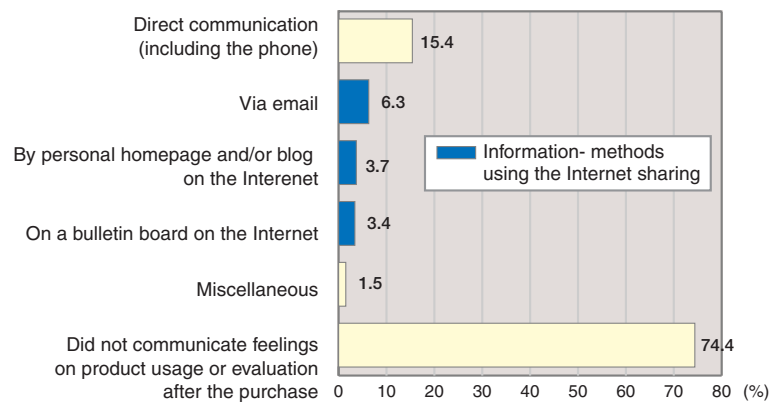
(Source: "Survey on the Use of Networks by Consumers")

**Figure 1-6-2 Number of stores compared**



(Source: "Survey on ICT and Buying Behavior")

**Figure 1-6-3 Method of sharing information on product usage, evaluation with others**



(Source: "Survey on the Use of Networks by Consumers")