



Sharing Economy Platforms

A Casebook for Understanding
Multiplayers in Sharing Economy
Platforms

Edited by

Ruizhi Yuan · Martin J. Liu

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ISBN 978-981-97-5403-8 ISBN 978-981-97-5404-5 (eBook)
<https://doi.org/10.1007/978-981-97-5404-5>

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To the innovators and entrepreneurs who think different; your visionary platforms have transformed how we communicate, work, travel, live, and connect with one another. Your bold ideas have led to more than just new companies—they have woven a whole new layer into the fabric of our lives.

Furthermore, to the educators, students, and lifelong learners who continue to study, question, and strive to understand this dynamic field—may this book serve as a compass to navigate the landscape of the sharing economy.

FOREWORD

This book provides you with an in-depth, multidimensional inquiry into the burgeoning field of the sharing economy. Through a series of case studies and comprehensive analyses, we delve into the heart of this modern economic phenomenon, exploring its roots and potential trajectories. This is an exploration of an economy rooted in community, in shared resources, and in the simple yet transformative idea that access can supersede ownership.

The sharing economy is a dynamic, ever-evolving entity, challenging the traditional boundaries of commerce and consumption. With this book, we bridge theory and practice to provide valuable insights into the diverse aspects of sharing economy platforms.

Via a collection of case studies, we bring you detailed analyses of various players and their unique contributions to this rapidly evolving landscape.

ACKNOWLEDGMENTS

Funding: The authors acknowledge the financial support from Major Humanities and Social Sciences Research Projects in Zhejiang higher education institutions, Grant Number: 2023QN033, National Natural Science Foundation of China (NSFC) Grant Number: 71972112, and Zhejiang Soft Science Programme Grant Number: 2022C35003.

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The Concept of Sharing Economy Platform (SEP)

Ruizhi Yuan and Martin J. Liu

The notion of sharing economy was first raised by Felson and Spaeth (1978) as comprising “those events in which one or more persons consume economic goods or services in the process of engaging in joint activities with one or more others” (614). For decades bartering systems and communal ways of exchanging have witnessed the development of “sharing” act (Sundararajan, 2016; Sutherland & Jarrahi, 2018). While sharing has been a long-standing phenomenon in practice, the sharing economy emerges as the umbrella concept to describe a wide range of disparate consumption patterns including sharing, borrowing, renting, lending, trading, exchanging, buying second-hand, gifting, and buying new products/services in recent years. This broadened view facilitates

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R. Yuan and M. J. Liu (eds.), *Sharing Economy Platforms*,
https://doi.org/10.1007/978-981-97-5404-5_1

sharing platforms to provide access to both tangible (e.g., houses, automobiles, spaces) and intangible (e.g., services, data, and ideas) resources (Heinrichs, 2013; Kathan et al., 2016), and sharing economy thus is often classified as a “system” which is technologically intermediated by exchange between various actors with resources (Perren & Kozinets, 2018). Therefore, sharing economy has disrupted mature industries such as hotels and automotive, by facilitating the peer-to-peer (P2P) exchange of products/services in a virtual marketplace, which enables people to collaboratively make use of underutilized inventory through fee-based sharing (Zervas et al., 2017).

The shift toward a SEP has been globally evident in the internet’s gift economy since the emergence of global digital networks. Startups, such as Airbnb, Uber, and Tujia benefit from the opportunities presented by digital platforms. According to the *Chinese Shared Economy Development Report* (Pennington, 2017), in 2017, the scale of China’s sharing market was ~5,285 billion renminbi (RMB), with a growth rate of 43.81%. With over 600 million people using these services, more than 190 SEPs had been invested in, amounting to 115.956 billion RMB. These radical advancements in digital and sharing activities have created a new playing field, forcing marketers to reimagine the customer experience to effectively maintain customer satisfaction and meaningful customer-brand relationships (Carlson et al., 2019). Within these sharing platforms, customers, traditional suppliers, and platform providers are co-creating user experiences, and in so doing, they are transforming, and redefining the reasons why people engage with and experience consumption.

KEY FEATURES OF SEPs

In contrast to traditional markets, where consumers buy goods from business sellers, in the sharing economy, property tends to be replaced by access, the digital platform acts as the intermediary of resources shared with peers, the costs are compensated, and the goods supply is crowd-sourced (Eckhardt et al., 2019; Sundararajan, 2016). More importantly, sharing economy challenges the conventional role of customers, and characterizes the evolution and transformation of “prosumers” from “passive audiences” to “active players” (Belk, 2014; Fernandes et al., 2020). Prosumers play more than their traditional role and become both the consumer (e.g., an individual enjoyed the cheaper ridesharing services

provided by Uber), at the same time the service provider (e.g., an individual, as the private car owner, is willing to be Uber driver). This ability to play both roles (i.e., as both a provider and a consumer) empowered prosumers to serve institutional duties, which should be performed by marketers in traditional business, including recommending, communicating, distributing, and sharing experiences of using the products/services (Eckhardt et al., 2019). Thereby interaction between service provider and consumer becomes essential to secure a business deal in the sharing economy platform.

The logic of sharing economy development encourages users to recognize and employ the social affordances of digital networks to organize, support, and communicate with each other (Bagozzi et al., 2002; Carlson et al., 2019). Recent theorizing on the nature of SEPs recognizes that service providers take on a variety of institutional roles such as advertising, recommending, communication, quality control, and service maintenance (Eckhardt et al., 2019). Therefore, the effectiveness of P2P interactions needs to be reconsidered. More generally, the existing literature on SEPs and customer engagement fails to recognize P2P relationship endowed with a relational agency, thus underrating the potential of interactivity between customer and service provider in terms of relational benefits. The governance literature posits that effective governance cultivates user trust and enables safe exchanges within the system (Ndubisi et al., 2016). A crucial factor in extending the relational governance that platforms can handle in the face of uncertainty, is the interactive communications in a P2P environment.

VALUE CO-CREATION OF SEPs

One important outcome of peer-to-peer communications is an increased desire to engage in the process of value co-creation (Fernandes & Remelhe, 2016). The engagement behavior in peer-to-peer business models involves consumers' psychological and behavioral manifestations of their voluntary and discretionary effort to co-create value with sharing economy platforms (Lin et al., 2019). The theoretical roots of the concept of value co-creation lie in service-dominant logic and co-creative networks (Brodie et al., 2013). According to Vivek (2009), in the expanded domain of relationship marketing, organizations are rapidly replacing product- or firm-centric approaches with customized customer experiences, where "informed, networked, empowered and active" consumers

are co-creating value with the organizations. Lusch and Vargo (2010) further emphasize the necessity of customer engagement in service-dominant (S-D) logic by stating that the concept of customer engagement centers on interactive and co-created consumer experiences.

THE ISSUES OF SEP PRACTICES AND ITS IMPLICATIONS

The value co-destruction theory describes the phenomenon that the value of a particular transaction process will be decreased if the perceived benefits and satisfaction level of the involved parties are inconsistent or imbalanced. The value co-destruction can be caused by the improper performance of one or both sides of the transaction including wrongful performance of the provider, or the misunderstanding of the receiver. This is rather remarkable, since the collaborative business sample is basically a value co-creation business model representation: the company (Uber) and its upstream consumer (Uber driver) co-create the ride-sharing service, then the upstream consumer and downstream consumer (passenger) complete the value transfer together.

The emerging of SEP brings a number of drawbacks (Schor, 2014). Martin and Shaheen (2010) conducted a research in the origin country of car-sharing industry: the United States of America, and they found that car-sharing service increased the overall carbon emissions since the access to cars expended. A considerable part of users changed their choice from public transportation to car/ride-sharing service similar to Uber since the price of Uber is significantly lower than traditional taxi and more convenient than bus or metro. Despite the fact that car-sharing enterprises represented by Uber and Lyft keep claiming that their service are highly environmental-friendly, the research community in the United States take a neutral attitude and relevant researches are planned to figure out the actual environment impact of the emerging industry. Other issues may include: service failures, lack of trust, this lack of trust exists because sharing economy marketplaces involve asymmetric information. Peer provider-based factors (i.e., service quality, reputation, information exchange, and economic incentives) play important roles in affecting peer engagement behaviors.

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SEP's Marketing Strategies to Adapt to Changing Environment: The Case of Fischer™

Xinshi Li and Ruizhi Yuan

BACKGROUND

Firstly, there are kinds of literature demonstrating the importance of communicating with end consumers for B2B companies, and there are also pieces of literature demonstrating that the B2B2C model is superior to the B2B model in communicating with consumers, however, there is a lack of summative literature on B2B companies should transfer to B2B2C model by connecting with the end consumer, and this essay will summarize current literature, and conclude that B2B companies should transform to the B2B2C model by establishing connections with end

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Singapore Pte Ltd. 2024

R. Yuan and M. J. Liu (eds.), *Sharing Economy Platforms*,
https://doi.org/10.1007/978-981-97-5404-5_2

consumers. Secondly, there are some essays that talk about the importance of social media as one kind of digital marketing in the process of connecting with end consumers, however, there is little literature discussing specific social media practices to contact end customers in the marketing process, this essay will summarize current literature on the importance of using social media into the marketing process, and come up with some specific social media marketing method to connect with end consumers by analyzing FischerTM, which have successfully used social media marketing to build connection with end consumers and realize the transformation process from B2B model to B2B2C model.

The Significance of Changing Marketing Strategies for B2B Companies Under the Rapidly Developing E-commerce Environment

E-commerce has developed rapidly in recent years, as the increasing popularization of information and communication technologies and the rapid development of the Internet, e-commerce has developed rapidly (Arya et al., 2021), in 2020 the global e-commerce market grew by 27.6%, superior over 4.28 trillion US dollars (Constantinides et al., 2021). At the same time, the rise and rapid development of e-commerce has changed consumers' consumption behavior, consumers will browse the online market, compare prices and read reviews before making a purchase decision (Guan, 2023). In the rapidly developing e-commerce environment, end consumers are very important, because e-commerce is the online exchange of goods or services process between end consumers and companies (Kumar & Raheja, 2012).

E-commerce is the process of end consumers paying money to exchange goods or services supplied by companies, and this whole process is carried out online (Kumar & Raheja, 2012), so in a rapidly developing e-commerce environment, connecting with end consumers is very important. However, due to a lack of connection with end consumers, traditional B2B companies' ability to satisfy the needs of consumer relationship management and enterprise marketing has gradually decreased (He & Zhang, 2022), so there is an agency need for B2B companies to change their marketing strategies to a direction that connects with end consumer more.

B2B Companies Should Connect with End Consumers and Transform into the B2B2C Model

In the rapidly developing e-commerce environment, how B2B companies use social media to establish contact with end consumers, market to end consumers, and thus gradually transform to the B2B2C model has become a topic worth studying. The B2B business model can be described as a direct transaction between firms (Kumar & Raheja, 2012), and according to Leoni and Mingione (2020), B2B companies do not communicate with end consumers. However, connecting with end consumers is very important for B2B companies to better adapt to the fast-developing e-commerce environment, and there are already many essays that studied the important effect of connecting with end consumers for B2B companies under the rapidly developing e-commerce environment. According to Homburg et al. (2020), interacting with end consumers who use products and leveraging end customer insights to grow business have become a strategic priority for B2B companies. On the one hand, B2B companies interacting with end consumers can give end customers a more intuitive sense of the benefits of the products or services offered by the company; on the other hand, B2B companies interacting with end consumers can help the B2B company create valuable products by accessing data that can be collected about behavior to derive specific needs, and then make profit by integrating these insights into the B2B company's products and services (Homburg et al., 2020). As mentioned above, e-commerce is the process of end consumers paying money to exchange goods or services supplied by companies, and this whole process is carried out online (Kumar & Raheja, 2012), so in a rapidly developing e-commerce environment, connecting with end consumers is very important, and B2B companies should build connection with end consumers to better adapt in the rapidly developing e-commerce development.

The B2B2C model is a kind of business model that enterprises not only earn revenue from organizational consumers directly, but also manage end consumers' experience and marketing to the end consumers (Wiersema, 2013), which means that companies using the B2B2C model will both market themselves to business and end consumers (Archer-Brown et al., 2019). There is already literature that discusses the characteristics, advantages, and how B2B2C companies connect with end consumers. The B2B2C model is the integration of the B2B model and the B2C

model, which realizes the connection among suppliers, consumers, manufacturers, and distributors, and reflects the whole process from value addition to value realization (Archer-Brown et al., 2019). Integrating from production and distribution to end user retailing, can both improve the companies' service capability, and help consumers to gain value (He & Zhang, 2022). Moreover, the B2B2C model can allow participants to reach out and interact with each other through the platform, and create new values which are difficult to achieve in the B2B model for each participant within the model (ibid.). At the same time, the B2B2C model reduces the costs that participants invest in finding and interacting with each other and improves interaction efficiency (ibid.). And B2B2C companies build their brand by understanding, engaging, and meeting consumers' needs (ibid.). Therefore, the B2B2C model due to connecting with end consumers, which is more fit in the rapidly developing e-commerce environment, should be a business model that B2B companies need to transfer.

The Importance of Social Media Marketing in Connecting with End Consumers

Digital marketing refers to the creation of channels through digital technology in order to more effectively reach existing consumers and potential consumers, and better meet their needs, thus achieving the goals of enterprises (Sawicki, 2016). There is already literature to demonstrate that digital marketing plays a huge role in enabling B2B companies to communicate with end users. Digital marketing will facilitate companies' interactions with consumers, fully identifying their demand, tracking each interaction timely, and providing personalized experiences, which will enable companies to respond immediately to consumer needs while forming personalized specific deal offers or providing relevant personalized information (Kuvaieva et al., 2021). At the same time, the amount of time people spend on the internet and social networks on various platforms has gradually increased, including commercial platforms, such as LinkedIn, Twitter, Facebook, etc. (ibid.). So B2B companies should quickly upgrade their digital marketing capabilities, and use appropriate digital marketing strategies to connect with end consumers in order to better adapt to the rapidly developed e-commerce environment. Crnjac Milić, Ištvančić, and Krpić (2017) discuss five forms of digital marketing respectively, which are Search Engine Optimization, Email

Marketing, Search Engine Marketing, Display Advertising, and Social Network Marketing, including introducing the definition, characteristics, and advantages of using each digital marketing form. In today's Web 2.0 environment, social media marketing is a very suitable digital marketing strategy among these five digital marketing forms for B2B companies to connect with end consumers.

Web 2.0 is a term which has been widely used, and it was first proposed by Musser and O'Reilly in 2006; they came up with the definition of Web 2.0; they argue that Web 2.0, as a set of social, economic, and technological tendencies, builds the foundation for a more mature and unique medium, which is also called the next generation of the Internet, characterized by openness, user participation, and network effects (Tirkkonen, 2017, cited in Musser & O'Reilly, 2006). It has catalyzed the creation of social media; according to O'Leary (2011), Web 2.0, which enables social media and other similar features, has revolutionized the way people communicate and interact on the Internet. In the context of Web 2.0, social media has provided a platform to people which can enable them to communicate and share information with each other (Tirkkonen, 2017); the technology and evolution tendency of social media has had a huge influence on the use of the Internet, at the same time, it has also provided companies with more opportunities to communicate with customers, resulting in more efficient sales (Huynh, 2012, cited in Denger, 2006), and companies can use social media to communicate with consumers in their marketing process (Tirkkonen, 2017). Meanwhile, the number of users who use social media is very large and has a tendency to increase, and it is predicted that there will be 5.85 billion social media users in 2027 (Statista, 2022). Also there are 82% of B2B buyers who believe that what a company posts on social media influence their purchase decisions (Minsky & Quesenberry, 2016). Therefore, in the environment of rapidly developed e-commerce, Web 2.0, and the large and increased number of social media users, B2B companies should use social media marketing as a method of digital marketing to connect with end consumers.

Social media marketing is an extension of traditional marketing, whose marketing activities are conducted on social media applications (Dahnil et al., 2014). As one kind of digital marketing, it can be used by companies to communicate with end consumers, Chi (2011) argues that social media marketing is a connection which helps companies communicate with end consumers and potential users, and Mehrtens (2013) believes that social media can benefit B2B companies by maintaining and

improving the relationship between companies and customers, helping companies obtain customer needs, feedback, and suggestions.

Meanwhile, the importance of social media marketing in contacting end consumers has been widely studied, Crnjac Milid et al. (2017) emphasize the effects of social media marketing in connecting with end consumers in detail, in their essay, they demonstrate the importance of social media for companies to connect with end consumers at first, they argue that social media networks can allow companies to interact with users, sharing and exchanging information, social media networks are also channels that can help companies to better understand their existing and potential customers, and companies can increase their influence by communicating with their users through these channels. And then Crnjac Milić et al. (2017) discuss the effect of social media marketing on business. They emphasize that social media marketing is such a powerful channel for companies to interact with existing customers and potential customers, and through social media, companies can reach existing consumers and potential consumers, and meet their demand. Successful social media marketing can help brands create loyal brand advocates, drive leads, and increase sales, and around 90% of marketers believe that social media marketing has helped their company increase their visibility.

Mehrtens (2013) argues that social media enables two-way communication between companies and end consumers; in the process of innovation, social media provide companies with platforms which can help them to offer information about new ideas, new products, or services to their consumers, so as to attract customers and collect effective feedback from customers on new products or services to improve their products or services, which can greatly reduce the uncertainty of NPD and the probability of NPD failure. Meanwhile, with the rapid development of the World Wide Web, the number of social media users has expanded rapidly (Mehrtens, 2013), which enables companies to reach a wider range of people, thus increasing brand awareness and brand value (Christodoulides et al., 2011). Constantinides (2010) believes social media will reduce the cost of the company and give the company a huge cost advantage, because the communication cost between the company and the consumer is reduced, at the same time, due to the participation of consumers in the process of new product development and innovation, it will help the company reduce the risk of new product development failure and develop new products more efficiently, while enhancing the customer

loyalty, increasing the likelihood that customers will purchase the company's products. Meanwhile, it is believed that companies using social media in their marketing process can improve their closing rate, which means their rate of closed deals will increase (Krishnan et al., 2012), and firms can generate revenue faster (Mehrtens, 2013).

At the same time, social media marketing also has an impact on consumers. Social media sites not only affect their social life by allowing them to interact and communicate virtually on social media websites (Cetina et al., 2013), but also social media platforms can enhance consumers' awareness of products and services (Khalid et al., 2022). According to Khalid et al. (2022), consumers believe that social media indirectly influences their choice of products, with half of consumers reviewing services or products on Instagram, Facebook, YouTube, and other social media websites. Meanwhile, 63% of consumers believe that advertisements on social media can attract their purchases of products (ibid.).

Thus, because of the importance of social media marketing in the process of connecting with end consumers both from companies' perspective and consumers' perspective, in today's rapidly developing e-commerce environment, B2B companies should use social media marketing to connect with end consumers and transfer to the B2B2C model. However, these papers only talk about the importance of using social media marketing to connect with end consumers, and lack focus on the specific social media marketing methods that companies can use to achieve interaction with customers, and this essay will use the case of Fischer™ and Siemens, which two have successful transfer from the B2B model to the B2B2C model through social media marketing to connect with end consumers, and summarize their social media marketing method to give some advice to other B2B companies, which want to realize the transformation to the B2B2C model.

THE CASE—FISCHER™

Fischer™ was founded in 1948 and its headquarters was located in Waldachtal of Germany, the main business activities of Fischer™ focus on fastening technology and it has become the leader in the production of plugs and tie rods market in Europe (Abdullai & Nuredini, 2020). It also has businesses in the field of automotive systems, including the production of automotive interior storage components (ibid.). Fischer™

has built in 37 countries with 49 national companies, and it has a network of branches in more than 100 countries, meanwhile, it had a total of 5,200 employees and generated a total revenue of 887 million euros by the end of 2019 (*ibid.*).

As a B2B company, Fischer™ cannot well adapt in the rapidly developing e-commerce environment because it rarely connects with end consumers, but Fischer™ has changed its marketing strategies and gradually transferred to B2B2C model by communicating with end consumers more through social media marketing. Fischer™ does social media marketing mainly through its own website and app, also it uses blogs, classical messenger, and WhatsApp to communicate with end consumers. According to Abdullai and Nuredini (2020), e-commerce has four pillars, which are online marketing reach, consumer guidance, multi-channel sales, and after-sales. And this case will analyze how Fischer™ uses social media marketing to connect with end consumers from three perspectives among them, which are online marketing reach, consumer guidance, and after-sales, because multi-channel sales of Fischer™ are not related to social media marketing.

In terms of online marketing reach, Fischer™ does social media marketing mainly by doing content marketing on its website, which can build connections with its end consumers. Content marketing is a marketing method that mainly attracts and obtains target customers by creating and publishing valuable content related to products or services, and building communication with target customers by sharing free but valuable information (Content Marketing Institute, 2023). To increase its online marketing reach, Fischer™ has established local language Fischer™ websites in 37 countries, and does content marketing on these websites in order to better display its products, including describing product features, showing product images, and other data that can help it better display its product characteristics in the marketing process (Abdullai & Nuredini, 2020). And when a company can build excellent content marketing, it may achieve higher sales revenue or have customers with higher loyalty (Content Marketing Institute, 2023), at the same time, content marketing can help companies reduce the costs that occur in traditional marketing, and help companies reach a broader scope of audience (Mehrtens, 2013). Through content marketing on its own websites, Fischer™ has established communication with end consumers, so that

consumers can better understand its products, thereby increasing the likelihood of purchasing products of Fischer™, achieving higher revenue from selling, and increasing its customer loyalty.

In terms of consumer guidance, Fischer™ does social media marketing to communicate with end consumers through its blog, chat channel of its website, and its app, which can convert people who are interested in its products into potential buyers (Abdullahi & Nuredini, 2020). To guide its consumers when they use its products, Fischer™ has a blog with topics for four different kinds of expertise knowledge, including best practices and fixing problems when using Fischer™ products, so that users can understand how Fischer™ does in the field of fixing problems (ibid.). And blogs are very important for consumers in the decision-making stage of purchasing products or using services, and they can influence one-fifth of consumers' decisions on whether to consume or not, and can help consumers discover products and services, suggest improvements to companies' products or services, and get support for problems encountered during product use (Saravanakumar & SuganthaLakshmi, 2012). Meanwhile, Fischer™ also offers a chat channel on its website for customers to communicate directly with the technical support team in Germany about their questions regarding the use of the product (Abdullahi & Nuredini, 2020). At the same time, Fischer™ has also developed its own app, through its app, Fischer™ provides guides for professionals on fixing and solutions to help users find the best solution to their problems (ibid.). And practices above to show consumers how Fischer™ does in the field of solving problems are very important, and according to Atuahene-Gima and Wei (2011), companies that can show their users how to solve problems to gain a competitive advantage. Also, there is a barcode scanner on its app, which can help customers who already own Fischer™ products to quickly identify products, and gain video materials, technical drawings, and certificates of products they own (Abdullahi & Nuredini, 2020). Through doing social media marketing on its own blog, chat channel of its website and app, and showing consumers-related information about the product and how Fischer™ does in the field of fixing problems, Fischer™ gives people who are interested in its products a better understanding of its products, which can convert interested people into potential customers, it also gives consumers who have already owned its products better using experience, which can increase brand loyalty among those who already own Fischer™ products.

In terms of after-sales, Fischer™ does social media through classical messenger and WhatsApp, and its own website, which can help Fischer™ build connections with its end consumers and convert buyers into permanent purchasers (*ibid.*). According to Mehrtens (2013), companies can connect with the end consumers and provide them with after-sales through social media. To better provide consumers with after-sales services, Fischer™ provides end customers with a channel for support and feedback through classical messenger or WhatsApp (Abdullai & Nuredini, 2020), and according to Statista (2024), WhatsApp has the third-largest number of monthly active users in the world, and it has 2000 million monthly active users. Moreover, Fischer™ has a support website, through which Fischer™ directly or indirectly promotes important after-sales concepts such as complaint management, word-of-mouth, customer assistance, etc. (*ibid.*). According to Mehrtens (2013), by solving the problems encountered by customers in the process of using products or services, companies can receive suggestions for product or service improvement. Meanwhile, according to Muralidharan et al. (2016), after-sales services make great contributions to customer satisfaction, and customer loyalty and customer retention will also increase as the increase of customer satisfaction, thus increasing the company's profit (Muralidharan et al., 2016, cited in Gerstner & Posselt, 2005). Fischer™'s series of after-sales activities done through social media channels have provided consumers with channels to get support and give the company feedback, which can increase Fischer™'s buyer loyalty and convert buyers into permanent buyers.

DISCUSSION

Through the analysis of the above the case of Fischer™ that has successfully changed its marketing strategies and gradually transferred to B2B2C model to better adapt in the rapidly developing e-commerce environment by building connection with end consumers through social media marketing, it is concluded that B2B companies should both use their websites and apps, and certain social media channels with high monthly active users, in order to build connection with end consumers and realize the transformation process to B2B2C model.

From the example of Fischer™, we found that in order to adapt to the rapidly developing e-commerce environment, B2B companies should strive to use social media marketing in the process of improving

online marketing reach, guiding end consumers, and providing after-sales services to end consumers, and developing and using their own websites and apps in these three process, assisting with some traditional social media platforms. Specifically, first of all, B2B companies should do content marketing on their own websites, by providing relevant product information for interested groups on their websites, B2B companies can help people who are interested in products to better understand the products, and improve their buying and using possibilities of their product. Through this method, B2B companies can turn interested people into potential buyers, thereby increasing their sales revenue and customer loyalty, while reducing the communication cost with end consumers in the traditional marketing process. Secondly, B2B companies should use social media platforms, such as blogs, and the chat channel on their own website and app to provide solutions to end consumers when they encounter problems in the use process, and show consumers the efforts made by companies in fixing problems, which can help B2B companies gain competitive advantages. Meanwhile, B2B companies should also use their app to help customers who already have products to quickly obtain product-related information, and customers only need to scan the barcode on the product with the barcode scanner on the app, they will quickly obtain detailed product information such as product usage video and product certificate. These methods can help B2B companies convert interested groups into potential consumers, while giving consumers who already own products a better use experience, thus improving customer loyalty. Thirdly, B2B companies should also use traditional social media platforms such as messenger or WhatsApp and their own websites to provide after-sales service to end consumers, solve consumers' problems, and obtain product improvement suggestions from consumers, which can help B2B companies improve customer satisfaction, thus, customer loyalty and customer retention will be improved, and buyers will be transformed into permanent buyers.

CONCLUSION

In conclusion, this article argues that to better adapt to the rapidly developing e-commerce environment, B2B companies should change their marketing strategies, and gradually transfer to the B2B2C model by connecting with end consumers through social media marketing from two perspectives. In the component of the literature review, in terms of B2B

companies should transfer to the B2B2C model on connecting with end consumers, this article summarizes the previous literature including the literature that argues the importance of connecting with end consumers for B2B companies, and the literature that the B2B2C model is superior to the B2B model in establishing connections with end consumers, in terms of how companies use social media marketing to connect with end consumers, this paper first lists the current literature on the importance of social media marketing in connecting with end consumers, and then points out that these articles lack specific practices on how to use social media marketing to connect with end consumers, which is what this paper will study through case studies. In the component of methodology, this essay uses the case study which is a type of qualitative method, to summarize some specific social media marketing practices by analyzing how Fischer™ has successfully transferred from the B2B model to the B2B2C model, using social media marketing to connect with end consumers. And found that B2B companies should both use social media platforms with a large number of monthly active users and their own websites and apps.

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Value Creation in the SEP

Minghao Li and Ruizhi Yuan

INTRODUCTION

The sharing economy has rapidly evolved from a niche concept into a mainstream economic model, fundamentally transforming how goods, services, and experiences are exchanged. At its core, the sharing economy is about leveraging technology to facilitate the exchange of value through underutilized assets or services, making it a powerful force for innovation, economic efficiency, and sustainability. This model has not only democratized access to goods and services but has also paved the way for unprecedented levels of resource optimization and community building (Geissinger et al., 2019; Laukkanen & Tura, 2020).

One of the seminal aspects of the sharing economy is its potential for sustainable value creation, which goes beyond the economic benefits to encompass environmental and social dimensions (Geissinger et al.,

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Singapore Pte Ltd. 2024

R. Yuan and M. J. Liu (eds.), *Sharing Economy Platforms*,
https://doi.org/10.1007/978-981-97-5404-5_3

2019). By optimizing the use of existing resources, the sharing economy can significantly reduce waste, lower carbon footprints, and promote a more equitable distribution of wealth and resources (Ma et al., 2019). However, this potential is not automatically realized. It requires deliberate design and governance of sharing economy platforms to ensure that they contribute positively to sustainability goals.

Pinduoduo, a pioneering platform in the agricultural sector, serves as a compelling case study of value creation in the sharing economy. By connecting farmers directly with consumers, Pinduoduo has managed to streamline the supply chain, reduce costs, and improve the availability of fresh produce, all while supporting rural economies. This platform exemplifies how the sharing economy can co-create value by enabling suppliers with limited resources to participate more fully in the economy. The success of Pinduoduo underscores the importance of innovative business models in unlocking the potential of the sharing economy for sustainable development.

The exploration of value creation in the sharing economy, particularly through the lens of Pinduoduo, reveals the intricate balance between innovation, sustainability, and economic empowerment. As this chapter unfolds, it will delve deeper into the mechanisms of value creation in sharing economy platforms, the benefits and challenges they pose, and the critical factors that contribute to their success.

THEORETICAL FRAMEWORK OF VALUE CREATION IN SEPs

The SEPs embody a transformative approach to commerce and community, underpinned by the concept of value co-creation. This section delves into the theoretical frameworks of value co-creation and elucidates how SEPs offer a distinctive avenue for creating value, markedly diverging from the paradigms of traditional business models.

At the heart of the sharing economy lies the principle of value co-creation, a concept that transcends the conventional producer–consumer dichotomy, advocating for a more integrated approach where value is jointly created by multiple stakeholders (Du & Chou, 2020). This collaborative endeavor hinges on the interactions and exchanges among platform users, be they service providers, consumers, or the platforms themselves. According to Prahalad and Ramaswamy (2004), co-creation

is an economic and social process that emphasizes the role of experience and interaction, wherein consumers are no longer passive but active participants in the creation of value.

The foundational theory of value co-creation posits that the interactions facilitated by digital platforms can lead to the generation of unique forms of value that are not achievable in isolation (Ramaswamy & Ozcan, 2018). These interactions, characterized by mutual trust, transparency, and shared goals, foster an environment conducive to innovation and collective problem-solving, leading to outcomes that benefit all parties involved (Arnold, 2017).

SEPs AS UNIQUE PLATFORMS FOR VALUE CREATION

SEPs diverge significantly from traditional business models by embedding the ethos of value co-creation at their core (Akhmedova et al., 2020). Unlike traditional models, where the company is the sole creator and deliverer of value, SEPs facilitate a participatory ecosystem where all users contribute to and derive benefit from the platform (Botsman & Rogers, 2010; Hamari et al., 2016). This model leverages underutilized assets, be they physical (e.g., accommodations in Airbnb) or skills-based (e.g., freelance services on Upwork), turning them into opportunities for economic activity and value creation.

SEPs excel in harnessing technology to reduce transaction costs, thereby enabling more efficient matches between supply and demand and fostering trust among users through reviews and ratings systems (Zhang et al., 2018). This trust mechanism is pivotal, as it underpins the collaborative interactions that are crucial for co-creating value. Furthermore, SEPs often incorporate mechanisms for social and environmental sustainability, which adds layers of societal and ecological value to the economic value created (Ma et al., 2019).

Moreover, SEPs demonstrate a unique capability to scale value creation. By leveraging network effects, where the value of the service increases as more users participate, SEPs can rapidly expand their impact and facilitate the co-creation of value on a global scale (Fu et al., 2017). This is a stark contrast to traditional models, where scaling often involves significant capital expenditure and logistical challenges.

In essence, SEPs represent a paradigm shift in how value is created, delivered, and captured. They embody a model where collaboration, technology, and a focus on sustainability converge to create a fertile

ground for innovation and mutual benefit. This approach not only challenges traditional business practices but also offers a blueprint for a more inclusive, sustainable, and connected economy.

MECHANISMS OF VALUE CREATION IN SEPs

SEPs have revolutionized the landscape of value creation through the synergistic interplay of technology, community engagement, and innovative market dynamics. These platforms have not only democratized access to goods and services but also cultivated an ecosystem where the collective contributions of users drive economic, social, and environmental benefits (Fu et al., 2017). This section delves into the mechanisms through which SEPs facilitate value creation, with a specific focus on technology, community, and market dynamics.

Technology serves as the backbone of SEPs, providing the infrastructure necessary for these platforms to function and flourish. First and foremost, technology enables the efficient matching of supply with demand, overcoming traditional barriers to market entry and reducing transaction costs (Schor & Fitzmaurice, 2015). Platforms such as Uber and Airbnb utilize sophisticated algorithms to connect service providers with consumers in real time, optimizing the utilization of idle assets and services (Lee et al., 2018; Zervas et al., 2017).

Moreover, technology fosters trust and transparency within SEPs, which are crucial for value co-creation. Through features like user profiles, rating systems, and peer reviews, SEPs build a reputation economy that encourages high-quality service provision and respectful consumption behaviors (Hawlitschek et al., 2016). This trust mechanism not only enhances user engagement but also scales the platform's value proposition by attracting more participants.

Additionally, technology enables the aggregation of data and insights, which can be leveraged to improve services, personalize user experiences, and predict market trends. By harnessing big data analytics, SEPs can tailor their offerings to meet the evolving needs of their user base, further enhancing value creation.

The community aspect of SEPs is pivotal in value creation, turning individual transactions into collective experiences that enrich both providers and consumers. Communities within SEPs are not mere aggregations of users but are instead characterized by shared values, mutual support, and a sense of belonging (Celata et al., 2017). This communal

ethos encourages users to contribute to the platform not just economically but also socially, through knowledge sharing, feedback, and collaborative problem-solving.

SEPs leverage community engagement to innovate and co-create services that reflect the needs and aspirations of their user base. For instance, platforms like Etsy foster artisan communities where creators share skills, provide support, and collaborate on projects. This community-driven approach not only enhances the platform's offerings but also strengthens user loyalty and retention.

SEPs have introduced new market dynamics that challenge traditional business models by emphasizing accessibility over ownership and prioritizing experiences over transactions. This shift has led to the emergence of a more dynamic, flexible, and responsive marketplace, where consumers have greater choice and control over their consumption patterns (Botsman & Rogers, 2010).

Furthermore, SEPs have the unique ability to tap into previously inaccessible markets, including underutilized assets and niche services. By doing so, they not only expand economic opportunities for providers but also increase the diversity and availability of goods and services for consumers (Xu et al., 2021). This democratization of market access contributes to a more inclusive economy, where value is created and shared among a broader spectrum of society.

Additionally, the competitive and collaborative forces within SEPs drive innovation and continuous improvement, leading to better quality, lower prices, and more sustainable consumption patterns (Hamari et al., 2016). The participatory nature of these platforms encourages a culture of feedback and adaptation, enabling SEPs to evolve in response to changing user needs and market conditions.

CASE STUDY: PINDUODUO AND CO-CREATION

Pinduoduo represents a fascinating case study within the realm of SEPs, showcasing a unique approach to value co-creation that has disrupted the traditional e-commerce model in China. Founded in 2015, Pinduoduo has quickly risen to prominence by integrating the principles of social commerce with group buying, leveraging technology, community, and innovative market dynamics to create a novel platform for value exchange.

Pinduoduo operates on a model that diverges from the conventional e-commerce framework by promoting a more interactive and communal

shopping experience. Unlike traditional platforms where transactions are predominantly individualistic, Pinduoduo encourages users to engage in group buying, where products can be purchased at significantly reduced prices if bought in bulk collectively. This model not only leverages the power of social networks but also taps into the cultural affinity for group activities and bargaining, which are prevalent in many parts of China.

Pinduoduo's operational model is built around a mobile-first strategy, prioritizing accessibility and ease of use to attract a broad user base, particularly targeting the underserved markets in rural and lower-tier cities. The platform integrates seamlessly with popular social media platforms, especially WeChat, allowing users to share deals with friends and family, thus fostering a community-oriented shopping environment.

ENCOURAGING CO-CREATION OF VALUE

The essence of Pinduoduo's success lies in its ability to facilitate co-creation of value between suppliers and consumers. By eliminating intermediaries and connecting manufacturers directly with end users, Pinduoduo has managed to significantly reduce costs, passing these savings on to consumers in the form of lower prices. This direct-to-consumer approach not only enhances efficiency but also empowers smaller suppliers by providing them with access to a vast market without the need for significant marketing expenditure (Ratnasingam, 2010).

Furthermore, Pinduoduo's emphasis on group buying and social sharing mechanisms allows consumers to actively participate in the value creation process. Shoppers are not merely purchasing products; they are also contributing to the platform's growth and value proposition by inviting new users and helping to aggregate demand for products. This participatory model aligns closely with the sharing economy's ethos of collaborative consumption, where value is jointly created and shared among participants.

Group buying is central to Pinduoduo's value proposition, serving as a catalyst for enhanced market access and competitive pricing (Chen & Roma, 2011). This mechanism allows suppliers, particularly those with limited resources, to achieve economies of scale by aggregating demand from a large number of small orders (Jing & Xie, 2011). As a result, suppliers can optimize their production processes and reduce costs, benefits that are then transferred to consumers in the form of lower prices.

Moreover, group buying has significant implications for market access. Suppliers that might otherwise be excluded from traditional e-commerce platforms due to high entry barriers find an avenue to reach consumers directly. This democratization of market access is particularly impactful for small and medium-sized enterprises (SMEs) and farmers, who can bypass conventional distribution channels and connect with a nationwide audience.

Pinduoduo's model is indicative of broader trends in the sharing economy, emphasizing the role of technology in facilitating innovative forms of collaboration and value exchange. By harnessing the power of social networks and mobile technology, Pinduoduo exemplifies how SEPs can create new market dynamics that benefit both suppliers and consumers. The platform's success highlights the potential of sharing economy principles to transform traditional industries, suggesting a shift toward more inclusive, efficient, and sustainable business models.

BENEFITS OF CO-CREATION IN SEPS

The concept of co-creation in SEPs represents a paradigm shift in the way value is perceived and generated within the market. This collaborative approach to commerce and service delivery has manifested numerous benefits that extend across the economic, social, and environmental spectra, impacting not just the consumers and suppliers but also the platforms that facilitate these exchanges.

Economically, co-creation in SEPs fosters a more efficient allocation of resources, leading to cost savings for both suppliers and consumers. Suppliers gain direct access to a vast pool of potential customers, reducing the need for intermediaries and, consequently, the costs associated with distribution and marketing (Li et al., 2019). This direct channel allows for better price optimization and increased margins or, alternatively, more competitive pricing strategies that can drive higher volumes of sales. Consumers benefit from reduced prices and access to a wider variety of products and services, often tailored to their specific needs and preferences due to the participatory nature of co-creation (Kumar et al., 2018). For the platforms themselves, this economic model generates robust growth opportunities through network effects, where each additional user adds value to the network as a whole, enhancing the platform's appeal and market penetration.

On the social front, co-creation fosters a sense of community and belonging among users. By actively participating in the value creation process, users feel more connected to the products and services they consume, often leading to higher levels of satisfaction and loyalty (Jia et al., 2020). This involvement can transform consumers into brand advocates, furthering the platform's reach and influence. Moreover, co-creation facilitates social inclusion by lowering barriers to entry for small suppliers and marginalized groups, thereby promoting a more equitable economic landscape.

Environmentally, the co-creation model inherent in many SEPs encourages a more sustainable use of resources. By maximizing the utilization of idle assets, whether physical goods like tools and vehicles, or intangible assets like skills and knowledge, co-creation helps reduce waste and decrease the demand for new production. This not only conserves materials and energy but also lessens the environmental footprint associated with manufacturing and disposal processes (Laukkanen & Tura, 2020). Additionally, the emphasis on local exchanges and services can minimize transportation needs, further mitigating environmental impacts.

While the co-creation model within SEPs presents numerous opportunities, it is not without its challenges and limitations. These obstacles stem from various sources, including regulatory environments, market dynamics, and platform governance, which can impede the seamless execution and scaling of co-creation initiatives.

POTENTIAL CHALLENGES

One of the primary challenges SEPs face relates to the regulatory and legal frameworks governing their operations. As these platforms often disrupt traditional business models, they can find themselves at odds with existing regulations that were not designed to accommodate such novel approaches to commerce and service provision. Issues around labor classification, consumer protection, and liability can create significant hurdles for platforms striving to foster a co-creative environment. Moreover, the global nature of many SEPs introduces the complexity of navigating disparate legal landscapes across jurisdictions (Ciulli & Kolk, 2019).

Market dynamics and competition present another layer of complexity. As SEPs grow, they may face challenges in maintaining the quality and authenticity of the co-creation experience, particularly as commercial pressures mount (Geissinger et al., 2019). Balancing scalability with

personalized, community-oriented value creation requires sophisticated platform management and governance mechanisms. Furthermore, intense competition can lead to a race to the bottom in terms of pricing, potentially undermining the economic sustainability of suppliers and the quality of offerings to consumers (Hawlitschek et al., 2016).

Trust and community engagement are pivotal to the success of co-creation in SEPs, yet building and maintaining trust at scale poses a significant challenge (Buhalis et al., 2020). Platforms must implement effective measures to ensure the reliability and credibility of all participants, which can be resource-intensive. Additionally, fostering a sense of community among users who may have diverse backgrounds and motivations requires continuous effort and innovative engagement strategies (Prahalad & Ramaswamy, 2004).

While SEPs have the potential to contribute to environmental sustainability, there are limitations in this area as well. The emphasis on consumption, even if shared, does not inherently reduce overall consumption levels and can, in some cases, lead to increased resource use due to the facilitation of access. Moreover, the environmental benefits of co-creation are highly dependent on the nature of the goods and services being shared and the behaviors of platform users.

CONCLUSION

This chapter has explored the multifaceted nature of value creation within SEPs, highlighting the dynamic interplay between technology, community engagement, and market dynamics that underpins this innovative economic model. Through the lens of co-creation, we've examined how SEPs offer a distinctive platform that diverges significantly from traditional business models, fostering economic efficiency, social inclusion, and environmental sustainability.

Key findings underscore the transformative potential of SEPs to not only redefine consumer behavior but also to empower suppliers by democratizing access to markets. Platforms like Pinduoduo exemplify the power of group buying and direct consumer-supplier interactions in creating substantial economic and social value. However, the journey of SEPs is not devoid of challenges, ranging from regulatory hurdles to the intricacies of maintaining trust and quality at scale.

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The Reasons Why Consumers Join the SEP

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BACKGROUND

The phenomenon of sharing transcends a mere legal framework, organizational structure, or economic growth paradigm, embodying rich ideological foundations grounded in diverse disciplines including philosophy, law, sociology, economics, and political science (Boellstorff et al., 2012). Initially delineated by Felson and Spaeth in 1978, the sharing concept was associated with “new consumption patterns” under the rubric of synergistic consumption. At its core, the sharing economy facilitates peer-to-peer direct transactions of goods and services mediated

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through third-party platforms, albeit without a standardized definition. A spectrum of terminologies mirrors the evolution and varied scholarly interpretations of the sharing economy, ranging from “collaborative consumption” and “access economy” to the “on-demand economy” (Markard et al., 2012; Martin, 2016). These divergent terminologies, conceived in distinct historical contexts, reflect the nuanced understandings and multifaceted nature of the sharing economy. Central to this economic landscape is the principle of “access but not ownership”, as emphasized by Chesky in 2008, which is operationalized through five pivotal elements: idle resource utilization, right to use, connectivity, information, and mobility. This approach fosters an environment where idle assets are leveraged, forging a community-centric model that offers cost-effective products and services. A testament to the universal applicability of the sharing economy is the global prevalence of bicycle-sharing systems, which offer a template for its foundational services (Mu, 2015). This burgeoning economy has piqued scholarly interest, fostering a rich discourse on the motivations underlying consumer participation in sharing platforms.

KEY CONCEPTS

Four pivotal concepts, technological acceptance, consumption ethics, consumption values, and consumer confidence will be introduced in this part, all of which are inherently related to consumers’ behavior and satisfaction within the Sharing Economy Platforms (SEP).

Technology Acceptance

To a certain extent, the development of sharing economy has promoted the innovation of technology, meanwhile, technical innovation and social progresses have also provided more development opportunities for the sharing economy. Arning and Ziefle (2007) have defined technology acceptance as “the endorsement, favorable reception, and sustained utilization of newly introduced devices and systems” (p. 2910). To elucidate the motivations driving consumers to engage with sharing economy platforms, it is pivotal to explore three well-founded technology acceptance models delineated in the existing literature: the Theory of Reasoned Action (TRA), the Technology Acceptance Model (TAM), and the Unified Theory of Acceptance and Use of Technology (UTAUT).

The TRA embarks upon examining the intricate relationships between attitude toward a behavior, subjective norms, and behavioral intentions (Fishbein & Ajzen, 1975). This foundational model propounds that any determinant can exert influence on behavior usage solely through mediating variables such as behavioral intention and subjective norms, offering insightful delineations of rational individual behaviors (Yu et al., 2008). Despite its substantial contributions, the TRA harbors considerable constraints, primarily its diminished applicability in the contemporary technologically driven epoch.

Addressing the shortcomings of TRA, Davis et al. (1989) articulated TAM, aiming to bolster the explicative potency concerning consumers' behaviors. A substantial body of empirical research attests to the efficacy of TAM as a potent tool for elucidating the array of behaviors pertinent to the adoption of information systems (IS) in diverse settings (e.g., Chen & Chan, 2011). Central to this model are two constructs: (i) perceived ease of use (PEOU), characterized as “the extent to which an individual expects that employing a specific system would be effort-free” (Davis, 1989, p. 320); and (ii) perceived usefulness (PU), delineated as “the extent to which an individual believes that using a specific system would augment their job performance” (Davis, 1989, p. 320). These pivotal elements not only directly foresee behavioral intentions but also exert influence indirectly, mediated through attitudes toward utilization (Davis et al., 1989). Notably, PEOU profoundly impacts PU (Davis et al., 1989). These constructs recur prominently in expanded iterations of TAM, namely the Technology Acceptance Model 2 (TAM2) and the Senior Technology Acceptance Model (STAM), signifying their crucial role in articulating the determinants of new technology adoption. Corroborating this, Ma et al. (2015) emphasized the substantial correlation between PU and the interrelation of PEOU and behavioral intention, grounded in fundamental motivation. Nevertheless, a stream of research advocates for the integration of fresh perspectives and constructs to augment TAM's explicative potential (Hsu & Lu, 2004; Liu et al., 2010).

Augmenting this trajectory of thought, the UTAUT emerged as a consolidated framework, engendered through a meticulous review and synthesis of eight precedent user acceptance models by Venkatesh et al. (2003). This unified theory harmoniously integrates earlier models, incorporating facets such as behavioral intention, consumption values, performance expectancy, effort expectancy, and social influence, presenting a

more rounded perspective on technology acceptance. Notwithstanding its comprehensive nature, the UTAUT has witnessed limited dissemination in mainstream research, a contention substantiated by Akour (2009). Despite its encompassing scope, it necessitates broader empirical endorsement to ascertain its efficacy comprehensively.

Consumption Ethics

The concept of sharing has greatly changed consumers' consumption psychology and behavior, produced new consumption patterns, and laid the foundation of new consumption ethics. Consumption ethics delineates the moral principles and norms governing individuals' perspectives on consumption levels and patterns, encapsulating value judgments and moral assessments of societal consumption behaviors (Muncy & Vitell, 1992). While ostensibly delineating the rapport between humans and nature, consumption ethics fundamentally seeks to cultivate rationality in consumption, a trait intrinsically connected to the innate nature of humanity (Schuitema & De Groot, 2014). In this endeavor, the ensuing principles are introduced.

1. The Principle of Ecological Appropriateness

This doctrine underscores a conception of consumption that embodies the symbiotic and bounded relationship humans share with nature (Ajzen & Madden, 1986). Serving as the bedrock for sustainable consumption in the forthcoming ecological civilization, it promotes the enhancement of life quality as a cardinal benchmark. Consequently, it engenders a paradigm of environmental consciousness, an enduring concept in the lexicon of consumptive ideologies.

Environmental consciousness (EC) denotes the depth and extent of individuals' comprehension of ecological matters and the principles of environmental preservation. Sustainable consumption stands as a pivotal influencer of sharing intentions (Heinrichs, 2013). Furthermore, Schuitema and De Groot (2014) affirm that environmental deliberations positively sway consumer choices in product sharing, fostering user satisfaction and inspiring repeated engagements through ecologically considerate incentives (Albinsson & Perera, 2012; Ozanne & Ballantine, 2010).

2. The Principle of Harmony

Harmony refers to the reciprocal and tranquil relations existing interpersonally and between humanity and nature (Muncy & Vitell, 1992). Interpersonal harmony lays the foundation for nurturing a balanced coexistence with the natural world, encompassing individual contentment and harmonious social relations. This concept recognizes the necessity for a rich tapestry of consumption preferences, advocating for a diversified array of goods and services that honor individual predilections and unique tastes (Belk, 2010). The evolving consciousness within the sharing economy resonates profoundly with the essence of this principle.

In fact, sharing consciousness (SC) underpins all sharing endeavors (Gansky, 2012). It has been discerned as a crucial determinant influencing consumer behavior, denoting a rise in societal refinement (Richter et al., 2015). This sentiment is echoed by Hill (2016), who associates user satisfaction with sharing options with ethical considerations and perceptions of the sharing philosophy. Cohen and Maurie (2016) goes further to stipulate that the absence of a sharing consciousness essentially negates the existence of a sharing economy.

3. The Principle of “People First”

The endorsement of a “people-first” approach diverges from centralism, extending beyond the fulfillment of diverse human needs to facilitate a deeper connection with innate requirements, thereby mitigating the alienation often experienced in consumption dynamics (Chen et al., 2009). It embodies a harmonious and respectful relationship between individuals and the natural environment rather than a dominance-oriented approach to nature. Eco-fashion consumption stands as a testament to the “people first” principle, underscoring contemporary consumption ethics that prioritize both human and environmental well-being.

Eco-fashion consumption (EFC) emerges as a paradigm where products confer maximum benefits on consumers while minimizing environmental detriment (Ochoa, 2011). Nathaniel Beard (2008) elucidate a connection between consumer behavioral intentions and eco-fashion consumption, albeit influenced by specific product attributes. This

perspective garners support from Niinimäki (2010), who asserts that eco-fashion consumers exhibit distinct decision-making patterns in ethical consumption scenarios. Joergens (2006) supplements this discourse, indicating that eco-fashion consumption tends to engender higher levels of satisfaction through ethical gratification.

Consumption Values

Consumption value encapsulates the level of utility that consumers anticipate from product acquisitions, fundamentally dictating their purchasing decisions. Sheth and his colleagues (1991) introduced this notion, identifying it as the perceived distinctiveness and significance attributed to products or services during procurement. The intricate dynamics of market selection, anchored in a complex interplay of multiple values, were extensively explored by Sheth et al. (1991). They posited that market selection is a multifaceted phenomenon encompassing a variety of values. Consumers harbor distinct valuations for assorted product combinations, which, consequently, influence their purchasing motivations.

In 1968, Hardin formulated the theoretical framework dubbed the tragedy of the commons, encapsulating the notion that the pursuit of maximum utility predominately guides the actions of self-interested consumers. This theory is corroborated by numerous studies underscoring the pivotal role of utility in shaping consumer intentions and decisions, with seminal works such as Olson's, 1965 "The Logic of Collective Action" spotlighting this connection. Furthermore, utility emerges as a pivotal determinant impacting individual satisfaction with shared services (Henning-Thurau et al., 2007).

The apprehension surrounding financial expenditure markedly dictates the proclivity for adopting new information systems (Ong et al., 2008). A considerable body of research accentuates that perceived financial cost constitutes a significant barrier to embracing sharing solutions, acting as a cardinal determinant in consumer usage (He, 2009; Lamberton & Rose, 2012; Wong et al., 2014). While Eckhardt et al. (2015) acknowledged the centrality of price consciousness in collaborative consumption, a study conducted in the Malaysian mobile credit card sector refutes the substantial impact of perceived financial cost on consumer behavioral intentions (Leong et al., 2013).

Consumer Confidence

Consumer confidence, fostered through satisfaction derived from a company's product or service, fundamentally hinges on the self-identity and trust, thus distinguishing it from the affective component encapsulated in consumer satisfaction (Ostrom, 1990). It is pivotal to delineate between consumer satisfaction, perceived as a value judgment, and consumer trust, which embodies the behavioral manifestation of satisfaction (Chai et al., 2012). Consumer trust is multifaceted and can be segmented into three distinct layers: cognition trust, affection trust, and behavior trust (Chai et al., 2012; Keymolen, 2013; Slee, 2013). Trust is conceptualized by Mayer et al. (1995) as a party's willingness to expose themselves to potential vulnerabilities based on the belief that another entity will act in their best interest. This belief in trustworthiness often stems from an individual's evaluation of another's competence and integrity (McKnight et al., 2002). Trust emerges as a primary factor determining individuals' responses to collaborative consumption opportunities (Ashraf et al., 2014; Gefen & Straub, 2003; Gefen et al., 2003; Papadopoulou et al., 2001).

Boenigk and Helmig (2013) elucidated the intimate and direct nexus between consumer behavioral intentions (BI) and satisfaction within the sharing domain, stipulating a positive and significant influence of the former on the latter. Corroborating this, Fornell et al. (1996) asserted the pivotal role of behavioral intentions in engendering user satisfaction.

THE CASE—BICYCLE-SHARING SYSTEMS IN CHINA

Bicycle-sharing systems, as manifestations of the sharing economy platforms, are enterprises that provide bicycle-sharing services within the realms of public service, establishing an urban paradigm for short-term bicycle rental for city travel (Fishman et al., 2013). These systems fundamentally address the "last mile" challenge (Shaheen et al., 2010), symbolizing low-carbon commuting ideals and the principle of shared resources. By the year 2013, over 104 cities in China had adopted bicycle-sharing systems (Institute for Transportation & Development Policy, 2013). This case study meticulously contrasts the two primary bicycle-sharing models (PBSS and DBSS) within the urban landscapes of Suzhou, China.

In Suzhou, the publicly available bicycles predominantly belong to one of two systems: the Dockless Bicycle-Sharing System (DBSS), operated by internet companies, and the Public Bicycle-Sharing System (PBSS), funded by the municipal government. Presently, Meituan and Hello are the two companies operating in the Suzhou market, offering dockless shared bicycles that have been operational for just over two years, since December 2021 (Suzhou Fa Bu, 2021). In contrast, the public bicycle-sharing system, established in 2010 (Yin et al., 2018), is overseen by specific enterprises responsible for procurement and daily operations. Suzhou is home to a total of 65,000 public bicycles and 68,000 dockless shared bicycles (Ge, 2023). Despite the emergence of DBSS, the daily average usage rate of PBSS in Suzhou remains higher, with 150,000 trips per day for public bicycles, compared to approximately 100,000–110,000 trips per day for dockless shared bikes in 2023 (Ge, 2023).

To mitigate the challenges associated with an excessive number of bicycles flooding the streets, the Suzhou government has adopted a proactive approach by enforcing strict controls on the total quantity of shared bikes. The introduction of 68,000 dockless shared bicycles was meticulously planned, taking into account 3% of Suzhou's population along with the existing number of public bicycles (Urban Management Bureau of Suzhou Municipality, 2021). Additionally, to curb unauthorized increases in bike numbers, all shared bicycles in Suzhou have been assigned license plates. The Suzhou Urban Management Bureau conducts regular assessments of the deployment, maintenance, and parking management of shared bikes to standardize the operations of shared bike companies and foster positive collaboration between these companies and government departments. Such rigorous and effective management by the government has significantly bolstered consumer confidence in both shared bicycle platforms. It is widely recognized that trust crucially influences consumer behavior, directly impacting their behavioral intentions and indirectly affecting satisfaction (Pavlou, 2003). Furthermore, Papadopoulou et al. (2001) have highlighted trust as a key determinant of individuals' behavior toward collaborative consumption options.

By 2023, the number of public bicycle stations in Suzhou would have risen to 3,063 (Ge, 2023). The government also fine-tunes the placement of stations, scaling down or even eliminating low-usage stations, while annually increasing parking posts for high-usage stations. The facility integrity rate of Suzhou's public bicycle stations reached 96% in 2023 (Ge, 2023). Additionally, Suzhou strictly regulates the deployment and

parking areas for DBSS. Users are required to park in areas clearly marked for dockless shared bikes. Both shared bicycle platforms prioritize enhancing the daily turnover rate of existing bicycles over expanding the fleet. These management strategies significantly enhance the utility of shared bicycle systems. Within the sharing paradigm, utility is the foremost criterion by which consumers evaluate an enterprise or brand, influencing their preferences and overall satisfaction (Lamberton & Rose, 2012).

The deployment of specific bicycle-sharing mobile applications by DBSS enterprises has significantly simplified and enhanced the convenience of urban mobility. These applications enable users not only to locate the nearest bicycle but also to manage the entire process of pick-up, return, and payment seamlessly. With the advent of DBSS in Suzhou and amidst fierce market competition, the entity managing Suzhou's PBSS has persistently embraced technological innovations to bolster its connectivity with users. Alipay and WeChat mini-programs facilitate the unlocking of public bicycles, while older users may employ transportation cards to access bike rentals. A notable acceptance of technology among Suzhou residents across all age groups is evident. Presently, a considerable fraction of public bicycle users in Suzhou comprises middle-aged and elderly individuals. In an effort to enhance the user experience, the public bicycle system incorporated Bluetooth technology in 2019, paving the way for the gradual implementation of "dockless parking" features. This underscores that perceived usefulness and ease of use significantly influence consumer preferences toward bicycle-sharing systems.

Wong et al. (2014) claimed that the adoption of sharing services is often impeded by the perceived financial cost to consumers, and He (2009) identified a significant negative correlation between perceived financial costs and the willingness to adopt sharing options. The PBSS in Suzhou is recognized as a public welfare initiative, offering the first 60 minutes of ride time free of charge. It has been recorded that the average duration for which Suzhou residents utilize public bicycles is 15 minutes (Zhang, 2023), presenting a distinct financial advantage over the average cost of RMB 1 per hour for dockless shared bikes.

The concept of consumption ethics emerges as a crucial factor influencing sharing intentions (Hamari et al., 2013). As a celebrated tourist destination, Suzhou has witnessed sustained popularity in city cycling, particularly through initiatives like Cityride, in recent years. Data indicates that during peak tourist seasons, the use of shared bikes surges by 90%

(Zhang, 2023), attributed to both visiting tourists and local inhabitants. This trend not only reflects a heightened awareness of environmental conservation and sharing culture but also symbolizes a fashionable lifestyle choice.

CONCLUSION

To sum up, this chapter has sought to analyse the reasons why consumers join Sharing Economy Platforms (SEP). We have attempted to clarify four key concepts: technology acceptance, consumption ethics, consumption values, and consumer confidence, which highly connect to consumers' behavior and satisfaction for SEP and describe and interpret a case where two bicycle-sharing systems were placed in Suzhou, China. In particular, we have drawn attention to significant implications for relevant enterprises and governments and emphasizing the imperative of elevating both service and product quality in alignment with survey outcomes, there is an inherent call to action for these stakeholders to propel the vision of an enhanced sharing travel ecosystem and a sustainable, low-carbon society.

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SEP Is Facilitating Electronic Word-of-Mouth (eWOM): The Case of Xiaohongshu Platform

Yilan Fan and Ruizhi Yuan

INTRODUCTION

In recent years, the sharing economy has garnered significant attention for its transformative effects on society's social and economic fabric (Cheng, 2016). These platforms, which have seen widespread adoption particularly during the COVID-19 pandemic (Chen et al., 2022), are grounded in the principle of maximizing the use of idle assets by making them available online to a community, thus diminishing the necessity of ownership (Schor & Fitzmaurice, 2015). Belk (2014) envisions consumers not just as users, but as active participants in this collaborative landscape. Online sharing platforms have revolutionized traditional commerce by fostering

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Singapore Pte Ltd. 2024

R. Yuan and M. J. Liu (eds.), *Sharing Economy Platforms*,
https://doi.org/10.1007/978-981-97-5404-5_5

innovative interactions between participants (Kim & Jin, 2020), and have demonstrated their utility across diverse domains including marketing, finance, transportation, and computer science (Gong et al., 2020; Kamble et al., 2021; Malhotra & Alstynne, 2014; Zervas et al., 2017).

The sharing economy is not only an economic innovation but also a social revolution, strengthening community bonds and fostering sustainable practices by promoting less resource-intensive consumption (Hossain, 2020). Despite these advancements, a key strategic challenge within these platforms is cultivating customer loyalty in a dynamic market landscape (Akhmedova et al., 2020). The integration of cutting-edge digital technologies has accelerated service innovation, intensifying competition in the digital service sector (Hagberg et al., 2016). Innovations such as Big Data Analytics, Artificial Intelligence, and Blockchain Technology enable sharing platforms to deliver services that are high-quality, diverse, and tailored to individual preferences, contributing to customer growth and profitability (Bai & Velamuri, 2021; Garud et al., 2022).

A pivotal factor influencing the relationship between digital technology and customer loyalty is the emergence of electronic word-of-mouth (eWOM), a form of digital communication among users regarding product or service attributes (Barreto, 2014). In this digital age, eWOM plays a significant role in shaping public perception and can have nuanced impacts on loyalty. Unlike traditional customer relationships, which often hinge on emotional connections, the digital landscape requires a strategic approach to technology adoption that addresses the broader needs of the customer network.

To navigate this digital ecosystem effectively, it's essential for sharing economy platforms to devise strategies that extend beyond individual satisfaction, considering the collective requirements and strategic priorities of their users, and facilities eWOM to attract more customers (Belhadi et al., 2023). The management of digital technology must therefore encompass a suite of tactics designed to enhance the overall customer experience and foster long-term organizational relationships.

In the intricate web of the digital ecosystem, Sharing Economy Platforms (SEPs) stand at the forefront of customer engagement and service provision. To excel in this space, SEPs must craft and implement strategies that not only cater to individual preferences but also resonate with the collective ethos and goals of their entire user community. A pivotal element in achieving this is the facilitation of Electronic Word-of-Mouth

(eWOM), an influential driver in today's online marketplace. eWOM harnesses the power of user testimonials and shared experiences to build trust and draw in new customers, making it an invaluable asset for SEPs.

The strategic management of digital technologies within SEPs should focus on creating a seamless, interactive experience that naturally encourages users to share their positive **encounters** with the platform. By integrating tools for easy sharing, responsive feedback systems, and social media connectivity, SEPs can amplify the reach and impact of eWOM. This not only boosts user acquisition but also strengthens the loyalty and advocacy among existing users, fostering a community of ambassadors who willingly promote the platform. In doing so, SEPs can sustain long-term relationships and cultivate a robust, organic growth fueled by the voices of satisfied customers.

THEORETICAL BACKGROUND

Sharing Economy Platform (SEP)

Platforms in the sharing economy realm offer individuals the chance to temporarily utilize a wide array of goods, services, and additional resources that are made available by other community members or the proprietors of the platforms (Wirtz et al., 2019, p. 458). The concept of sharing assets and services has become commonplace among today's consumers. The spectrum of shared services is broad, with options ranging from employing personal chefs through Share Chef to securing private island accommodations through Airbnb (Chi et al., 2021). Ride-sharing services like Uber and Lyft have also gained favor for travel, prompting numerous airports to establish specific zones catered to these services. Uber has further extended its reach into the realm of meal delivery with Uber Eats, challenging competitors such as DoorDash and Grubhub. The pandemic has seen a rise in the demand for food delivery services, with a notable uptick in orders placed via mobile applications and fulfilled by drivers connected to these digital platforms (Keane, 2020). In addition, some individuals have opted for Uber as a safer alternative to shared or public transport during the health crisis. Similarly, there has been a preference for food delivery services like Uber Eats over traditional dine-in experiences to mitigate COVID-19 risks.

While research on sharing economy platforms in the hospitality industry has predominantly concentrated on lodging services like home-sharing (Liu & Mattila, 2017; Lu et al., 2020; Mody et al., 2020; Shuqair et al., 2021), the areas of meal delivery and transportation services could benefit from further scholarly attention. These businesses generally follow a model that allows various stakeholders—consumers, service providers, and the platform itself—to jointly create services (Benoit et al., 2017; Wirtz et al., 2019). By pooling resources, service providers are able to better leverage their available capacity. In the hospitality sector, this often involves the sharing of limited assets like accommodations or vehicles, labor for services such as cooking or driving, or a blend of both, as seen with hosts on Airbnb providing meals. The platform acts as a facilitator for this access-based collaboration between consumers and service providers, creating mutual value (Hagiu & Wright, 2015). Furthermore, hospitality platforms that cater to multiple sides of a market are distinguished by indirect network effects, where the platform's value to one group of users increases as more users from another group join (Johnson et al., 2008). For example, when a new driver joins Lyft, it enhances the service for riders by potentially reducing waiting times and costs.

To engage consumers, platform marketers develop promotional strategies that encourage app downloads and service use. Mobile applications have become a critical component of these platforms, serving as an interface for consumers to explore offerings, make orders, process payments, and interact with service providers or customer support (Wu et al., 2023). Ensuring consumers have a positive experience with these apps and receive uninterrupted service is essential for the success of sharing economy platforms.

Electronic Word-of-Mouth (eWOM)

Arndt (1967) suggests that word-of-mouth (WOM) communication involves any spoken, personal interaction regarding a brand, product, service, or company, which is interpreted by the listener as having altruistic motives rather than commercial ones. Expanding upon this concept, Barreto (2014) describe WOM as a process of communication that may be verbal or textual, where a message is transmitted from one party to one or several recipients, and this exchange does not necessarily require a shared social network but is aimed at the informal circulation

and solicitation of knowledge. Verma and Yadav (2021) further emphasize the significance of WOM as a pivotal element in the marketing communication arsenal, asserting its substantial impact on the consumer's decision-making process and its role in ensuring that businesses remain aligned with the evolving preferences and expectations of their customers.

In the digital age, the proliferation of the internet has catalyzed a transformation in how individuals disseminate their assessments, beliefs, and endorsements relating to goods, services, and corporate practices. Gupta and his team (2014) draw an analogy between virtual platforms and “coffee shops,” envisioning them as contemporary spaces where individuals with shared interests converge to engage in digital dialogue, an idea supported by Weisfeld-Spolter et al. (2014). This form of dialogue, known as Electronic Word-of-Mouth (eWoM), has spawned an avant-garde forum that not only strengthens the exchange of information between businesses and consumers in a B2C framework but also enhances interactions among consumers themselves in C2C relationships, particularly within the framework of the sharing economy, as detailed by Jalilvand and associates (2011).

The transformative power of eWoM extends beyond traditional marketing boundaries, creating a dynamic environment where consumer narratives and experiences are amplified and can resonate with a global audience. This digital discourse has a compounding effect, as peer opinions are often perceived as more credible and trustworthy than corporate messaging, thus having a more pronounced influence on potential buyers. Moreover, these online interactions offer companies invaluable insights into public perception and sentiment, enabling them to adapt their strategies swiftly and effectively in response to consumer feedback. In this context, eWoM represents not just a communication channel but also a strategic asset for organizations seeking to cultivate customer loyalty and advocacy in an increasingly interconnected and digital marketplace.

THE CASE—HOW XIAOHONGSHU PLATFORM FACILITATES E-WORD-OF-MOUTH

Understanding of Xiaohongshu Platform

Launched in Shanghai by founders MAO Wenchao and Qu Fang in 2013, Xiaohongshu (also known as RED) represents an innovative blend of social media networking and international online retail that caters to an

audience with a taste for high-end products, beauty essentials, and the latest fashion trends (Lin & Shen, 2023; Liu, 2020; Pamarathna, 2019). This platform distinguishes itself by cultivating an interactive space where users are motivated to exchange their consumption narratives, aesthetic preferences, critiques on products, and savvy shopping advice, all within a thriving digital community (Liu, 2020).

Embracing its ethos, “Inspire Lives: share and discover the world’s incredible,” Xiaohongshu has become a stage for users to chronicle and share their everyday experiences, employing diverse formats such as bite-sized videos, photography, and written posts, thereby nurturing communal bonds through shared passions and hobbies (Pamarathna, 2019). By late 2015, Xiaohongshu had successfully secured strategic partnerships with a roster of internationally acclaimed brands like @cosme, Blackmores, and Swisse, a move that underscores its dedication to connecting its consumer base with esteemed global enterprises (Sun & Ly, 2023). The shopping recommendation app Xiaohongshu is set to reach 200 million monthly active users in China in September 2023 (Statista, 2024). Such exponential user growth has propelled Xiaohongshu to the forefront as one of the leading comprehensive community-centric e-commerce hubs worldwide, with a trajectory poised for persistent and robust growth (Yiran, 2021).

Sharing Economy Platform Mechanism

Xiaohongshu operates on a unique mechanism that marries the sharing economy’s principles with the world of e-commerce and social media. At its core, the platform functions as a digital space where users can post and share content related to lifestyle, beauty, and fashion (Tian et al., 2021). This content ranges from product reviews and recommendations to personal narratives about travel, food, and various life experiences (Wang et al., 2022). As users engage with this content, they form a community-driven network where information and opinions are freely exchanged, akin to an online word-of-mouth ecosystem (Li, 2020).

This user-generated content is the cornerstone of Xiaohongshu’s sharing economy aspect. Instead of a traditional top-down advertising approach, the platform relies on the authenticity of its users’ shared experiences to influence purchasing decisions. These shared posts often include embedded links to products, enabling other users to make purchases

within the app itself, thus closing the loop between social sharing and commerce.

By leveraging the collective knowledge and experiences of its user base, Xiaohongshu fosters a sense of trust and relatability among its community (Jin & Yu, 2021). This trust is instrumental in driving e-commerce transactions, making the platform not just a space for social interaction but also a powerful tool for consumer influence and sales. In essence, Xiaohongshu exemplifies a sharing economy platform by using social connectivity to empower consumers, facilitate economic exchanges, and enhance the overall shopping experience through community engagement (Jin & Yu, 2021; Li, 2020; Tian et al., 2021; Wang et al., 2022).

Facilitating eWOM

Xiaohongshu exemplifies how a sharing economy platform can facilitate Electronic Word-of-Mouth (eWOM) through its community-driven approach (Wei, 2023). As a hybrid between social media and e-commerce, Xiaohongshu provides a fertile ground for users to create content that goes beyond mere product reviews; it encompasses comprehensive lifestyle sharing, which includes personal anecdotes, images, and video content relating to a wide array of products and services (Shan et al., 2024; Zhao et al., 2020; Zhu & Zhang, 2022).

This content generation is at the heart of eWOM on Xiaohongshu (Jin & Yu, 2021; Zhu & Zhang, 2022). Users share their honest opinions and experiences with products in detailed posts, which other community members can comment on, like, and share (Zhu & Zhang, 2022). These interactions create a ripple effect, with popular and engaging content getting more visibility, thus amplifying the reach of eWOM within the platform. Trust is a critical component in this process, as user-generated content is perceived as more authentic and reliable compared to traditional advertising.

Moreover, Xiaohongshu's algorithm is designed to highlight trending items and topics, which further boosts the visibility of certain posts and contributes to the eWOM dynamic (Shen et al., 2023). The platform also enables a seamless transition from discovery to purchase by embedding direct links to products within the posts. This integration of content and commerce means that users can act immediately on the recommendations they trust, thereby closing the gap between eWOM and consumer action.

The impact of eWOM on Xiaohongshu is further enhanced by the platform's targeting of a younger demographic, particularly the post-90s generation, who are more likely to seek peer recommendations and make purchases online. The platform's design encourages users to engage with content that aligns with their personal interests and tastes, creating a personalized experience that fosters a tight-knit community.

In summary, Xiaohongshu's success as a sharing economy platform in facilitating eWOM lies in its ability to create a trusted space where peer recommendations lead directly to consumer purchases. It is this blend of social interaction, personalized content, and integrated commerce that makes Xiaohongshu a powerful conduit for eWOM, shaping consumer behavior in the digital age.

Challenge and Measures

As a sharing economy platform, Xiaohongshu thrives on facilitating word-of-mouth through its vast network of user-generated content. However, several challenges can impede the effectiveness of this model, and certain measures can be taken to address these issues.

Challenges:

1. **Content Authenticity:** With the platform's heavy reliance on user reviews and recommendations, there's a risk of inauthentic content, including fake reviews or paid endorsements that can undermine user trust.
2. **Quality Control:** As the number of users grows, maintaining the quality of content can become challenging, leading to a cluttered user experience with low-quality posts.
3. **Algorithm Transparency:** Users may be skeptical of the platform's content curation processes if the algorithms that prioritize certain posts over others are not transparent.
4. **Data Privacy and Security:** Users share personal experiences and information, making data privacy a significant concern that, if not addressed, could lead to user attrition.

Suggested Measures:

1. **Enhance Verification Processes:** Implementing stricter controls and verification processes to ensure the authenticity of user-generated content can help maintain trust in the platform.
2. **Content Moderation:** Employing both automated and human moderation to monitor and manage the quality of content, ensuring that it remains valuable and relevant to users.
3. **Algorithm Clarity:** Providing users with some understanding of how the platform's algorithms work can create a sense of transparency and fairness in content promotion.
4. **Robust Privacy Protections:** Establishing stringent data protection measures and transparent privacy policies can reassure users about the security of their personal information.
5. **Community Engagement:** Actively engaging with the user community to gather feedback and implement changes can foster a loyal user base that feels valued and heard.
6. **Promote Diverse Content:** Encouraging a variety of content across different categories can ensure that users have access to a broad range of opinions and reviews.

By addressing these challenges with targeted measures, Xiaohongshu can continue to enhance its platform's ability to facilitate effective word-of-mouth, ensuring a vibrant and trustworthy community that attracts and retains users.

CONCLUSION

The rise of the sharing economy, exemplified by platforms like Xiaohongshu, represents a significant shift in consumer behavior and business models in the digital era. These platforms have successfully harnessed the power of community-driven content to influence consumer decisions and drive e-commerce transactions, demonstrating the profound impact of eWOM in shaping the marketplace. Xiaohongshu, in particular, has showcased how a seamless blend of social media engagement and e-commerce functionality can create a dynamic ecosystem where users' shared experiences directly translate into economic value.

However, the challenges of content authenticity, quality control, algorithm transparency, and data privacy loom large, with the potential to erode user trust and engagement if not adequately addressed. The platform's response to these challenges through enhanced verification processes, content moderation, algorithm clarity, robust privacy protections, community engagement, and the promotion of diverse content will be crucial in maintaining its position as a leader in the sharing economy space.

In essence, the sustainability and growth of sharing economy platforms like Xiaohongshu hinge on their ability to foster authentic and high-quality user interactions while ensuring a secure and transparent environment. As these platforms continue to evolve, the strategic management of these challenges and the continued facilitation of eWOM will be key to their long-term success and their ability to maintain a loyal and active user base in an increasingly competitive digital landscape.

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Understanding Prosumers' Behaviors in SEPs

Weila Cui and Ruizhi Yuan

INTRODUCTION

The sharing economy has given rise to a new type of consumer—the prosumer, who not only consumes but also produces goods and services (Ertz et al., 2022). Understanding prosumer behavior is crucial for sharing platforms to create thriving ecosystems (Eckhardt et al., 2019). Prosumers have unique motivations, blending intrinsic and extrinsic factors such as financial rewards, social connection, sustainability, and creative expression (Hamari et al., 2016).

To cater to prosumers, platforms must design user experiences, reputation systems, and incentive structures that facilitate and reward their desired activities (Tussyadiah, 2016). This enables platforms to segment their user base, tailor offerings, foster trust and reciprocity, and ultimately create self-sustaining ecosystems (Hawlitschek et al., 2018).

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Singapore Pte Ltd. 2024

R. Yuan and M. J. Liu (eds.), *Sharing Economy Platforms*,
https://doi.org/10.1007/978-981-97-5404-5_6

As prosumers shape the nature of goods, services, and experiences on sharing platforms, understanding their preferences and behaviors is key for forecasting demand and managing supply (Eckhardt et al., 2019). Platforms that anticipate and respond to prosumer trends will be better positioned for growth (Heinrichs, 2013).

This chapter explores the key factors influencing prosumer behavior, the dynamics of prosumer participation and loyalty, strategies for segmenting the prosumer base, and implications for sharing platforms. The case study of Idle Fish, a popular Chinese secondhand marketplace platform (Zha, 2024), illustrates these concepts in a real-world context and offers practical lessons for sharing platforms in other sectors and geographies.

FACTORS INFLUENCING PROSUMER BEHAVIOR

Prosumer behavior in the sharing economy is influenced by a complex interplay of economic, social, psychological, and platform-enabled factors. Understanding these factors is crucial for sharing economy platforms seeking to encourage consumers to switch roles and become providers, as well as to maintain their engagement in the provider role. At the same time, platforms must carefully balance the interests of different prosumer segments to promote active, loyal participation while avoiding exploitation and backlash.

Economic factors play a significant role in motivating consumers to become providers in the sharing economy. The prospect of earning supplementary income and the flexibility to “be your own boss” are powerful drivers for consumers to switch roles (Lang et al., 2021). Sharing economy platforms enable prosumers to monetize their underutilized assets or skills, making it an attractive proposition (Hamari et al., 2016). However, companies may exploit prosumers’ labor by offering little to no compensation, which raises concerns about fairness and sustainability (Ritzer et al., 2012).

Social factors shape prosumer behavior by fostering a sense of community and social connection. Collaborative prosumption enables individuals to create value for others, which is particularly evident during times of crisis when prosumers’ non-commercial efforts can have a substantial positive impact on society (Lang et al., 2020). Prosumers are motivated by a desire for personal and social growth, the fulfillment of social responsibilities, and the opportunity to build and maintain self-esteem (Lang

et al., 2021). The opportunity to connect with like-minded individuals, experience diverse cultures, and form meaningful friendships also serves as a strong social driver for prosumers. As prosumers actively negotiate their roles and identities within sharing platforms, the complex social dynamics of role negotiation and identity formation are crucial in shaping their behavior and continued engagement in collaborative consumption (Fitzmaurice et al., 2020).

Psychological factors, as explained by self-determination theory (Ryan & Deci, 2000), suggest that prosumer behavior is influenced by three universal needs: autonomy, competence, and relatedness (Lang et al., 2021). The flexibility and control afforded by sharing economy platforms over how much, when, and for whom to provide services satisfy the need for autonomy. Positive reviews and feedback contribute to a sense of competence and self-esteem (Hamari et al., 2016; Lang et al., 2021). Further, prosumers are motivated by the desire to actively participate in creation and production processes, moving away from the passive role of traditional consumption (Ritzer et al., 2012).

Finally, the design and features of sharing economy platforms significantly influence prosumer behavior. Low entry barriers and user-friendly interfaces make it easy for consumers to switch roles and become providers (Lang et al., 2021). Platform-provided user protection, transparency, and control mechanisms reduce perceived risk and encourage participation (Hawlitshchek et al., 2018). However, as Bajde (2013) illustrate in the case of YouTube, content regulations and intellectual property rights imposed by platforms can also influence and constrain prosumer behavior.

PROSUMER PARTICIPATION AND LOYALTY

Prosumer participation in sharing economy platforms is driven by a combination of factors. Intrinsic motivations, such as enjoyment and learning, play a significant role in encouraging prosumers to actively engage with the platform (Hamari et al., 2016). The satisfaction derived from the act of sharing, collaborating, and creating value motivates prosumers to participate more frequently and intensely (Bucher et al., 2016). Additionally, the opportunity to acquire new knowledge and skills through interactions with other prosumers and the platform itself serves as a strong intrinsic motivator (T. C. Zhang et al., 2018).

Extrinsic motivations, including rewards and status, also contribute to active prosumer participation. Monetary incentives, such as revenue sharing or bonus payments, can effectively encourage prosumers to contribute more frequently and provide higher-quality services (Eckhardt et al., 2019). Furthermore, the desire for social recognition and status within the community can motivate prosumers to actively participate and establish themselves as valued members of the platform (Lang et al., 2020).

Prosumer loyalty to sharing economy platforms is influenced by several key factors. Satisfaction with platform experiences is a crucial determinant of loyalty (Möhlmann, 2015). When prosumers have positive experiences, such as smooth transactions, responsive customer support, and a user-friendly interface, they are more likely to remain loyal to the platform. Trust in the platform and community also plays a vital role in fostering loyalty (Hawlitschek et al., 2018). Prosumers are more likely to remain loyal when they perceive the platform as reliable, secure, and transparent in its dealings with users.

Switching costs and the availability of alternative platforms can also impact prosumer loyalty. When prosumers have invested significant time and effort in building their reputation and network within a specific platform, the perceived costs of switching to a new platform may be high, leading to increased loyalty (Santana & Parigi, 2015). However, if attractive alternatives are readily available and the switching costs are low, prosumers may be more inclined to explore other options (Lamberton & Rose, 2012).

SEGMENTING THE PROSUMER BASE

Sharing economy platforms can benefit from segmenting their prosumer base to better understand and cater to their needs. One key segmentation approach is to distinguish between casual and professional providers (Constantiou et al., 2017). Casual providers are individuals who occasionally offer their goods or services on the platform, often motivated by factors such as flexibility and supplementary income. Professional providers, on the other hand, rely on the platform as a primary source of income and tend to offer a higher volume of goods or services (Li et al., 2019). Another important segmentation is based on usage frequency, categorizing prosumers as either power users or occasional users. Power users are highly active on the platform, contributing a significant portion

of the overall supply and often serving as key opinion leaders within the community (Lutz & Newlands, 2018). Occasional users, in contrast, participate less frequently and may require different engagement strategies to encourage their continued involvement (Constantiou et al., 2017).

THE CASE OF IDLE FISH

To illustrate the concepts discussed in this chapter, we present a case study of Idle Fish, a leading online platform for secondhand goods trading in China. Launched in 2014 by Alibaba Group, Idle Fish has become one of the most popular and influential players in China's resale market (Wang & Liu, 2023). The platform's success in engaging prosumers and promoting the sharing economy makes it an excellent example of the strategies and challenges explored in this chapter.

Idle Fish's journey from a platform for selling unused items to a comprehensive marketplace for pre-owned goods and services demonstrates the evolving nature of prosumer engagement in the sharing economy (Zha, 2024). The platform's focus on sustainability, affordability, and community engagement aligns with the key factors influencing prosumer behavior discussed earlier (Eckhardt et al., 2019; Wang & Liu, 2023).

Moreover, Idle Fish's diverse prosumer base, each with unique motivations for engaging with the platform, illustrates the importance of understanding and segmenting prosumers to create targeted strategies for engagement and retention (Zha, 2024). The platform's impressive growth and market position (Zha, 2024) underscore the potential for sharing economy platforms to create value for prosumers and society at large.

In the following sections, we will delve deeper into Idle Fish's prosumer engagement strategies, the challenges faced by the platform, and the valuable lessons learned from its experience. These insights will provide practical guidance for sharing economy platforms seeking to cultivate a thriving prosumer community and navigate the complexities of the sharing economy landscape.

PROSUMER ENGAGEMENT STRATEGIES

Idle Fish has implemented various incentives and rewards programs to encourage prosumer engagement and loyalty. For example, the platform offers “Idle Fish Coins” as a reward for completing specific actions, such as listing items, making purchases, or inviting friends to join the platform. These virtual coins can be redeemed for discounts on future purchases or exchanged for other benefits (Idle Fish, 2024). Additionally, Idle Fish occasionally runs promotional campaigns, such as “Double Coins Day,” where users can earn extra rewards for their activities. These incentives not only motivate prosumers to actively participate in the platform but also foster a sense of loyalty and commitment to the Idle Fish community (M. Zhang et al., 2020).

Idle Fish places a strong emphasis on community-building initiatives to create a sense of belonging and encourage prosumer engagement. The platform’s “Huiplay” feature (formerly known as “Fishpond”) allows users to create and join interest-based groups, share experiences, and interact with like-minded individuals (Idle Fish, 2024). These communities serve as a hub for knowledge-sharing, product recommendations, and social connections, enhancing the overall user experience and fostering a sense of camaraderie among prosumer (Ma & Zhang, 2019).

Moreover, Idle Fish regularly organizes offline events and workshops, such as “Idle Fish Flea Markets,” where prosumers can meet in person, showcase their products, and engage in face-to-face transactions (Idle Fish, 2024). These events not only provide a platform for prosumers to connect with one another but also help to build trust and strengthen the bonds within the Idle Fish community.

For user experience enhancement, Idle Fish continuously invests in improvements to make the platform more intuitive, efficient, and enjoyable for prosumers. The platform has introduced various features to streamline the listing and transaction processes. Notably, the “One-Click Listing” function, which automatically fills in product information based on the user’s previous listings or purchase history, exemplifies this effort (Idle Fish, 2024). This feature significantly reduces time and effort for sellers, thereby facilitating their prosumption activities (Wang & Liu, 2023).

Furthermore, Idle Fish has integrated advanced technologies, such as artificial intelligence and machine learning, to provide personalized recommendations and search results based on users’ preferences and

behaviors (Idle Fish, 2024). This targeted approach helps prosumers discover relevant products and services more easily, enhancing their overall experience and encouraging greater engagement with the platform.

Additionally, Idle Fish has prioritized the development of its mobile app, ensuring that prosumers can access the platform seamlessly from their smartphones (Idle Fish, 2024). The app offers a range of features, such as in-app messaging, push notifications, and mobile payments, which contribute to a more convenient and engaging user experience.

By focusing on incentives and rewards programs, community-building initiatives, and user experience enhancements, Idle Fish has successfully cultivated a highly engaged and loyal prosumer base. These strategies not only drive the growth and sustainability of the platform but also empower prosumers to actively participate in the sharing economy and contribute to a more circular and sustainable model of consumption.

CHALLENGES AND LESSONS LEARNED

While Idle Fish has achieved remarkable success in engaging prosumers and promoting the sharing economy, the platform has also faced various challenges along the way. One of the primary challenges is maintaining trust and safety within the community. As a platform that facilitates transactions between individual buyers and sellers, Idle Fish must continually combat issues such as fraud, counterfeit goods, and misrepresentation (Wang & Liu, 2023). To address these concerns, the platform has implemented a range of measures, including real-name authentication, seller verification, and a comprehensive credit rating system (Idle Fish, 2024). However, balancing the need for security with the desire for a seamless user experience remains an ongoing challenge.

Another challenge faced by Idle Fish is the management of logistics and shipping. Unlike traditional e-commerce platforms, where sellers are often professional merchants with established shipping processes, Idle Fish relies on individual prosumers who may have varying levels of experience and resources when it comes to packaging and shipping goods. To mitigate this issue, Idle Fish has partnered with logistics providers to offer integrated shipping solutions and has introduced features such as "Idle Fish Express" to streamline the shipping process for sellers. Despite these efforts, ensuring consistent and reliable shipping remains a complex task, given the diverse nature of the platform's user base.

Idle Fish has also encountered challenges in terms of user retention and engagement. As the platform grows and competition intensifies, maintaining a loyal and active prosumer community becomes increasingly difficult (Wang & Liu, 2023). To tackle this challenge, Idle Fish has focused on creating a differentiated and compelling user experience, leveraging its unique combination of social features, gamification elements, and personalized recommendations (Zhang et al., 2020). By continuously innovating and adapting to the changing needs and preferences of its users, Idle Fish has managed to maintain a strong market position and foster a vibrant prosumer community.

Throughout its journey, Idle Fish has learned valuable lessons that can inform the strategies of other platforms seeking to engage prosumers and promote the sharing economy. One key lesson is the importance of building trust and fostering a sense of community among users. By investing in trust-building mechanisms, such as seller verification and credit rating systems, and by creating opportunities for users to connect and interact with one another, platforms can create a more cohesive and loyal prosumer base.

Another lesson learned is the value of leveraging data and technology to enhance the user experience and drive engagement. By harnessing the power of artificial intelligence, machine learning, and big data analytics, platforms can gain deep insights into user behavior, preferences, and needs, allowing them to deliver highly personalized and targeted experiences that keep prosumers coming back (Zhang et al., 2020).

Finally, Idle Fish's success highlights the importance of adaptability and continuous improvement in the rapidly evolving landscape of the sharing economy (Ma & Zhang, 2019). As consumer needs, market conditions, and technological advancements continue to shape the industry, platforms must remain agile and responsive, constantly seeking new ways to innovate, optimize, and deliver value to their prosumer communities.

CONCLUSION

The rise of the sharing economy has brought prosumers to the forefront, highlighting their crucial role in the success and sustainability of sharing platforms. This chapter has explored the key factors influencing prosumer behavior, including economic, social, psychological, and platform-specific drivers. By examining the dynamics of prosumer participation and loyalty,

as well as strategies for segmenting the prosumer base, we have emphasized the importance of tailoring platform design and incentives to meet the diverse needs and motivations of prosumers (Eckhardt et al., 2019; Hamari et al., 2016).

The case study of Idle Fish demonstrates the potential for sharing economy platforms to create value for prosumers and society by focusing on trust-building, community development, and continuous innovation in user experience (Wang & Liu, 2023). However, the challenges faced by Idle Fish, such as maintaining trust and safety, managing logistics, and ensuring user retention, underscore the complex and dynamic nature of the sharing economy (Ma & Zhang, 2019).

As the sharing economy continues to evolve, the role of prosumers is expected to become even more significant. Platforms that effectively harness the power of prosumption by creating meaningful opportunities for individuals to contribute and derive value will be well-positioned to thrive in this new economic paradigm (Ertz et al., 2022). Moreover, the potential for prosumers to drive positive change in terms of sustainability, resource efficiency, and social equity is immense (Fitzmaurice et al., 2020).

To unlock the full potential of the sharing economy, it is essential for researchers, practitioners, and policymakers to continue exploring the dynamics of prosumption and work toward creating a sharing economy that is inclusive, sustainable, and value-creating for all stakeholders (Eckhardt et al., 2019; Ertz et al., 2022; Heinrichs, 2013). By learning from the experiences of successful platforms like Idle Fish and adapting to the evolving needs and aspirations of prosumers, sharing economy stakeholders can navigate the challenges and opportunities that lie ahead.

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The Ethical Consideration of Datafication in Platforms: The Case of Chinese Social Credit SEP

Zhiwen Zheng and Anqi Hu

BACKGROUND

Big data is a term used for the large volume, veracity, and variety of digital data which is captured and processed at high velocity (Kim et al., 2014). Big data gets benefits from real-time information cost-effectively due to the proliferation of cheap sensors and data-storing devices (Hsu et al., 2017). ITU (2021) reports that 53.6% of the world population (about 4.1 billion) has access to the internet. The generated data continuously increases by 2.5 quintillion bytes every day (Zhu et al., 2017). With the

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exponential growth in big data and the globalization of data analytics, datafication is affecting many dimensions of our social life.

The debates on datafication are clearly visible in the context of the Chinese Social Credit System (SCS). SCS arguably promotes a culture of sincerity in China based on big data and digital analytics. In academic area, scholars refer to SCS either/both national (government-led) SCS or/and commercial (technology company-led) SCS. National SCS aims to build a trustful environment in government affairs, societal integrity, judicial credibility, and commercial truthfulness (Creemers, 2018). National SCS tracks and assesses individual and organizational performances through crowd-sourced data and algorithmic analytics; it ranks and steers entities' performances via social credit scores and incentive mechanisms including black lists and red list (Ahmed, 2017a).

With the needs of national SCS development and commercial strategies of technology companies, public-private interaction has been encouraged for sharing data among diverse digital platforms to achieve large-scale data collection. Under this situation, technology companies build their individual credit systems called commercial SCS to evaluate their own customers' financial trustworthiness (Creemers, 2018; Hong, 2017a). The most-used commercial SCS is Sesame Credit. Its data collection is mainly from Taobao and Alipay, and they are the largest Chinese online shopping and payment platforms, respectively (Kostka, 2019). The collected data is shared between commercial SCS and national SCS to some extent.

UNDERSTANDING OF CHINESE SOCIAL CREDIT SYSTEM

The Chinese Social Credit System (SCS), a group of big data-enabled systems aiming to promote the culture of sincerity by tracking the behaviour of individuals and businesses, provides a useful context to understand the ethical dilemmas of using big data and digital platforms to achieve social justice. SCS is an interdisciplinary phenomenon and as such, the emerging conversations rely on different theoretical perspectives with different assumptions about good and bad, right and wrong. To gain a holistic understanding of SCS and to contribute to ethics in the big data debate, it is interesting to understand these multiple perspectives.

Power of Big Data and Ethical Concerns

Previous studies broaden the SCS area by exploring big data used in digital systems and political, social, and economic impacts caused by the power of datafication. Big data supports innovative systems to affect individual decisions (e.g., Boyd & Crawford, 2012; Chin & Lin, 2017; Clover, 2016; Qiu, 2016; Yang, 2009), communal options (e.g., Andrejevic & Gates, 2014; Tsai, 2004), and national governance (e.g., Creemers, 2015, 2017; Deleuze, 1992; Tsui, 2003). Big data is the basic component of information infrastructures that empower datafication of social relations by data collection and algorithmic processes (Andrejevic, 2007; de Kloet et al., 2019). Big data produces prospective outputs by incorporating earlier extraneous activities into recently interior relations (Diab, 2017; Lyon, 2014).

Studies indicate how big data support establishing and managing digital governance in China. For example, the censorship programme plays an important role in national-level internet governance to reveal the most significant goals of the Chinese leadership (King et al., 2013; Qiang, 2011). The SCS programme also uses big data to affect individual and organizational consciousness and behaviours. SCS tracks the performance of entities and translates to behaviour data, using social credit scores to assess market participants' trustworthiness (Cheng & Ou, 2014; Hatton, 2015; Hvistendahl, 2017; Marron, 2009; Meissner, 2017).

Due to the significant impacts of big data on multiple levels, ethical concerns about datafication are increasingly becoming urgent from both data collector and data owner sides. From a data collector perspective, identifying actor accountability is urgent in system policy. Non-transparent algorithmic systems may cause arbitrary punishments (Mackinnon, 2011; Oneil, 2016). From a data owner perspective, big data has nestled users-in-relation. Consequences of big data tend towards an ethical verdict if they are experienced as morally deserved positions based on earlier trustworthy performance (Fourcade & Healy, 2017). Thus, a trade-off between privacy violation and social security driven by datafication has to be embodied when big data become a currency to pay for people's communication services (Lyon, 2014; Van Dijck, 2014). In short, future research should consider how ethics may take a practical role in balancing privacy violations and social security to achieve the benefits of a digital society.

Digital Surveillance and Governmentality

Past papers explored how big data causes transparency and surveillance issues which impact contemporary governance. Big data produces retrospective, real-time, and anticipatory forms of transparency, benefiting from ICT devices that produce systematic data monitoring and information exchange in a social network (Hansen, 2015; Mayer-Schönberger, 2015; Pentland, 2014; Zeng, 2016). Big data represents intrinsic characteristics of entities' performance and separates these features into a series of different information flows. These flows are reconstructed and transformed into the objectives of surveillance and the hierarchies of surveillance (Haggerty & Ericson, 2000; Pasquale, 2015).

Entities construct the meaning of the surveillance process and make decisions to shape their behaviours (Zuboff, 1988), embodying that contemporary surveillance engages with historical debates of governmentality and shows resemblance to Panopticon (McNicol, 2007). Contemporary surveillance using big data influence governance by monitoring, predicting, and modifying human behaviours (Bauman & Lyon, 2013; Greenfield, 2018; Kipnis, 2008). SCS is an example of using contemporary surveillance to achieve socio-economic governance, tracking, ranking, and steering entities' performance to build a trusting environment in China (Yang, 2017). However, the concern relating to system non-transparency emerges when digital surveillance is used for governance. The inadequate transparency of understanding and governing algorithmic systems may cause a discriminatory environment (Horsley, 2018; Kitchin, 2017; Pasquale, 2015), strengthening social sorting (Lyon, 2003), and individual freedom and privacy invasions (Rouvroy, 2013).

Due to the above discussion, future research is necessary to identify the double-edged sword of digital surveillance building on Foucault's panopticon theory, to understand how big data-driven surveillance influences contemporary governmentality. Further, future research may also need to explore the importance of information symmetry in achieving algorithmic transparency and accountability of digital systems (Ananny & Crawford, 2018).

ICT for Development (ICT4D) in Chinese Context

Prior studies indicate how Information and communication technologies for development (ICT4D) fits in Chinese institutions from local political history, culture, and societal platformization perspectives. Chinese government practices virtue (Suzhi) in the spheres of governance and law, and virtue co-relates with reputation in the Chinese context (Lin, 2017; Xiang, 2014). SCS's credit ranking refers to a reputation that is the most significant manifestation of the Chinese government's intention to support governing, legal, and policy processes through the application of information technology (Anonymous, 2017; Creemers, 2018; Kobie, 2019).

From local cultural perspectives, credit is production relations and social relations driven by mutual trust via transactions (R. Zhang & Y. Zhang, 2014; K. Zhang & F. Zhang, 2016). SCS was proposed to construct a trustworthy society in the background of China suffering a crisis of trust such as environmental disasters and food safety scares (Chorzempa et al., 2018; Creemers, 2021; Hawkins, 2017; Loubere, 2017). Meanwhile, SCS acceptance is influenced by another cultural factor that Chinese citizens place a higher value on community good rather than individual rights (Anand, 2014; Carney, 2018). The local culture provides a potential chance for people to accept SCS with willing to use some extent of privacy in exchange for a more trustworthy society (Dai, 2018).

From the digital society perspective, mature technology infrastructure has the capability to affect economic and political strategies in China. Information technology develops quickly in business fields, providing a user-friendly environment for SCS (Hong, 2017a; Schwartz, 2018). China has the largest e-commerce market that creates over 40% of worldwide e-commerce transactions' value, and it grows up from less than 1% about 10-year ago (Woetzel et al., 2017). Information technology also has been used as an efficient tool in Chinese political governance such as the censorship programme (Bray, 2005; Griffiths, 2019; King et al., 2017; Mozur, 2018; Qiang, 2019; Schneider, 2018). These successful practices of platformization in China increase the confidence in applying the SCS project.

The above lenses explain the rationality of SCS's existence. However, public values not only include safety and security but also relate to broader societal effects such as fairness and accountability (Dijck et al.,

2018). Scholars are concerned that the extension of digital technology reproduces patterns of inequality and exploitation (e.g., Loubere, 2017; Schiller, 2014; Tao, 2018). The risk increases especially when large-scale plans affect large-scale interventions (Hong, 2017b; Scott, 1998). This struggle highlights the importance of exploring platformization in the local context. Thus, future research could apply institutional theory to explore how local institutions facilitate or constrain the development of social platformization. Additionally, platformization allows the governments, businesses, and individuals to interplay, in this case, another research direction may need to explore the complex process of the interaction between digital systems and humanity at the ecosystem level through the SCS case.

Performance Modification and Trust-Building in the Digital World

Previous scholars explain how SCS uses big-data-based surveillance to establish trust through performance modification (Botsman, 2017; Hoffman, 2017; Ohlberg et al., 2017). The digital platform as a panopticon (Foucault, 1995) monitors entities' performance and transforms the performance into behaviour data and stores these data in the platform. With the accumulation of data updating, behaviour data works as the performance indicator (Vanpeurse et al., 1995). Surveillance economy logic supports that human performance hidden in commercial practices is subordinated to an architecture of behavioural modification (Zuboff, 2015, 2019).

The social credit score in SCS explains how it represents the performance indicator to affect behavioural modification and build trust environment. Credit scores using big data and algorithms (Ahmed, 2017a, 2017b), unified by social norms and combined punishment systems for trust-breaking, enhance social sincerity (Coghill, 2018; Creemers, 2016a, 2016b; Daum, 2018; Liang et al., 2018). The widespread norm is integrity which is a cultural-political system and common social value in shaping mass behaviour (Brehm & Loubere, 2018; Tang, 2005). The accuracy of credit scores is guaranteed by big data convincing that scores have the capability to assess the integrity of behaviour and to show entities' reputation state (Daum, 2017; Knight, 2018; Mistreanu, 2018; People's Bank of China, 2015, 2018). As a result, a high degree of

SCS approval is in China, interpreting SCS as the framework of benefit-generation and credit scores as the performance indicator of honest transactions to impact the Chinese economy and society (Kostka, 2019).

Although some studies have implied that social credit scores work as performance indicators in building a trusting society, limited studies explore how entities respond to credit scores in practice. Meanwhile, a few studies already questioned the effectiveness of performance indicators regarding SCS's algorithmic opacity and information structure (e.g., Ahmed, 2018; Wachter et al., 2017). Thus, future research should conceptualize a generalized framework to explore how credit scores can work as the performance indicator; how the presentation layer of SCS including social credit scores, red list, and black list affects entities' behaviour modification.

SUSTAINABLE IMPACTS OF SCS

Sustainable development and green economy have become a big concern in the Chinese context. Since 2022, environmental credit evaluation has been disclosed as an important indicator to assess the enterprise social credit ranking. SCS integrates with enterprise environmental credit records and shares credit information on different platforms to impose environmental dishonesty (MEEPRC, 2019; Small, 2019). It is clear that SCS has significantly affected environmental development in China, and it also deeply impacts Chinese society and economy. The following sections will discuss the social and economic impacts of SCS from four perspectives.

Trustworthiness Issues

Datafication creates transparent credit scores that transfer entities' performance to moral data, and scores are displayed to the public to affect entities' reputation status (Bach, 2020; Zhang, 2020). Datafication enables SCS to assess the trustworthiness of individuals, organizations, and government agencies benefiting from data transparency (Bach, 2020; Kostka, 2019; Zhang, 2020). Although some Chinese citizens questioned the reliability of opaque algorithms for calculating credit scores (Kostka & Antoine, 2019), Bach (2020) explains its feasibility from a strategic ambiguity perspective, presenting SCS to multiple audiences without calling unnecessary attention to its potential conflicts. In a survey of 2209

Chinese participants, 94.1% of respondents claimed that their behaviour has changed, and they are trying to be more truthful to impact their credit evaluations (Kostka & Antoine, 2019).

Economic Issues

Economic effects of SCS, emerge from the roles of commercial SCS on brands' image and microfinance. The SCS project influences financial and economic development by referring to brands and consumers alike (Ramadan, 2018), private online lending platforms (Chen et al., 2020; McDonald & Dan, 2020), and internet finance (Liu et al., 2019). The key is social credit as a channel to bridge morals and economic activities and that provides information symmetry for online lending (Liu et al., 2019). Thus, social credit helps the risk control for indigenous online lending systems and gives them the confidence to lend money to disadvantaged people with limited credit records in a central bank, benefiting local communities (Chen et al., 2020; McDonald & Dan, 2020).

From a customer perspective, people are willing to borrow money via online lending platforms by using their credit scores, because it involves less stigma and risk. For example, Sesame credit (the commercial SCS) depersonalizes and re-personalizes people who borrow money through the Alipay lending platform. The depersonalizing process limits stigma because the system does not have subjective feelings about the borrower's financial situation. Further, the Sesame credit score re-personalizes the image of borrowers by calculating 5 aspects of personal information to decide how much money the person can borrow from the system (McDonald & Dan, 2020). Thus, online lending encourages the honest behaviour of customers to get or maintain high financial credit. However, the authenticity of credit scores is questioned because of the lack of legal and technological protection to support the construction of SCS (Liu et al., 2019). For example, the current credit rating system cannot distinguish the distribution of recovery rates by analysing 14,558 Chinese samples (Chen et al., 2020).

Surveillance Issues

Surveillance issue is a major theme of SCS studies and includes data collection, data aggregation, and data usage in the facilitation of digital governance. Datafication leads to dataveillance working with panopticon

characteristics during data collection stage. Datafication allows SCS to automatically transform every aspect of social life into data, so the actions of actors are transparent upon observation (Andrejevic & Gates, 2014; Bernstein, 2017). Further, when actors notice that their behaviours are monitored and good performances are incentivized, they will respond to SCS through self-surveillance and self-regulation (Aho & Duffield, 2020; Lee, 2019). Additionally, because the process of data aggregation remains ambiguous (Liang et al., 2018), two opposing voices around aggregation emerge to achieve the efficiency of dataveillance. One is the centralized data infrastructure that increases the reliability of credit scores because different stakeholders share and analyse consistent information (Liang et al., 2018). By comparison, Devereaux and Peng (2020) argue that polycentric sources are convenient for local-level SCSs to track actors' performance due to data being based locally.

Dataveillance allows SCS to achieve socio-economic aims by reshaping entities' behaviour through three elements: social credit scores, the red list (rewards), and the black list (punishment). The credit score and red list are from the prescriptive logic to encourage trust-keeping performance, whereas the black list is from the prohibitive logic to avoid trust-breaking behaviour (Hansen & Weiskopf, 2019).

Privacy Invasion Issues

There are two ways to understand privacy invasion in the SCS context. One identifies privacy based on the people's interpersonal boundary-control processes (Altman, 1975; Lv & Luo, 2018). In this case, privacy invasions refer to personal information out of their control. Thus, privacy invasion is a result of datafication in SCS because entities' behaviour data are automatically collected without their knowledge and permission. Another privacy invasion is explained through context integrity referring to inappropriate information flow which cannot serve the goals of SCS (Ding & Zhong, 2020; Nissenbaum, 2010). For example, if SCS over-acts in monitoring entities' performance, it could weaken individual and organizational privacy.

Privacy invasions occur in two ways: active invasions and passive invasions. In SCS, active privacy violations are explained as the purposeful usage of big data which is under data collectors' control (Ding & Zhong, 2020). By comparison, passive invasions are invasions of information security because of the lack of effective protections for data subjects, such as

the lack of transparent privacy policies or technological obstacles (Ding & Zhong, 2020; Lv & Luo, 2018). From a system perspective, the value of SCS will grow with the increasing data storage, and over time, the risk of SCS being attacked increases.

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The Supplier Governance Strategy in SEPs

Anqi Hu, Zhiwen Zheng, and Ruizhi Yuan

BACKGROUND

Sharing economy platforms (SEPs) extend their operations to external users, including suppliers and customers, fostering mutually beneficial transactions between them (Broekhuizen et al., 2021). Suppliers are individuals or entities that offer goods or services through a sharing economy platform (e.g., hosts in Airbnb, drivers in Uber). The commitment of suppliers stands out as a crucial determinant of platform success (Rossmannek et al., 2022). On one hand, attracting a substantial customer base hinges on having a sufficient number of appealing suppliers (Kumar et al., 2018). For example, Airbnb hosts who go above and beyond to curate

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R. Yuan and M. J. Liu (eds.), *Sharing Economy Platforms*,
https://doi.org/10.1007/978-981-97-5404-5_8

memorable experiences for their guests, providing not just a place to stay but also personalized recommendations, local insights, and exceptional hospitality. These hosts create a sense of warmth and authenticity that resonates with travelers, making them more inclined to choose Airbnb over traditional accommodation options. In essence, the dedication and quality of suppliers, like these Airbnb hosts, are pivotal in shaping the platforms' reputation and its ability to thrive in the competitive sharing economy landscape. On the other hand, SEPs furnish an infrastructure that streamlines these interactions, striving to generate value for their diverse users while also capturing value for themselves from suppliers and customers (Cutolo & Kenney, 2021). SEPs charge a percentage of transaction fees or commissions from suppliers for each successful transaction. For example, Airbnb charges a service fee from hosts for each booking. Additionally, SEPs can offer value-added services to suppliers, such as marketing tools, data analytics, or training courses, and profit from these services. Therefore, it is important to understand supplier governance strategy in SEPs to maintain suppliers' commitment and loyalty to SEPs.

SEPs has introduced a series of strategies to manage suppliers and maintain commitment, but a series of issues have emerged. First, SEPs have introduced a policy where suppliers must choose one platform over another (Rong et al., 2024). For example, Meituan, as a leading Chinese platform, differential pricing, delays in merchant onboarding, and other methods to induce businesses within the platform to sign exclusive cooperation agreements, and employs various punitive measures, such as charging exclusive cooperation deposits and utilizing technology such as data and algorithms, to carry out the "pick one of two" behavior. Second, SPEs utilize algorithms to manage suppliers, which causes exploitation. For example, using algorithms, Chinese food delivery platforms require delivery riders to complete six deliveries in different directions within half an hour, often necessitating them to ride against traffic, cross pedestrian bridges, and run through red lights (Zhu et al., 2024). However, rules of the algorithm are becoming increasingly stringent, and the health and safety of these riders are not adequately ensured.

THE RELATIONSHIP BETWEEN SUPPLIERS AND SEPS

Current literature utilizes the term of “platform-based business” and “platform-dependent entrepreneurs” to describe those suppliers who rely on digital platform facilitate exchanges between different groups (Cennamo, 2021; Tschang, 2021). The relationship between suppliers and platform is complex. Suppliers act as complements to platforms, and platforms serve as intermediaries to provide opportunities for supplies to reach customer (Cutolo & Kenney, 2021; Nambisan & Baron, 2021). As complements, suppliers provide the core products or services, which enrich platform product line and improve the innovation (Qiu et al., 2017; Song et al., 2020). Those complementation increases the competitive advantages and promotes customer satisfaction. Relying on suppliers for innovation can reduce platform investment and diversify risks. For example, suppliers use iOS open platform to develop new application, which provides users with a rich variety of features and experiences. SEPs, as intermediaries, to help suppliers find customers. However, there is a power asymmetry between the platform and suppliers because the resources of the buyers are firmly controlled by the platform (Cennamo, 2021; Hamann & Güldenber, 2021; Liang et al., 2023). Based on the relationship between the platform and suppliers, the platform formulates a series of rules to govern suppliers.

SUPPLIER GOVERNANCE STRATEGY

Sharing of Resource and Providing Information

SEPs share resource with suppliers to boost their value-creating activities, thereby fostering product development capabilities and increasing productivity and returns for suppliers (Von Hippel & Katz, 2002). For example, Airbnb China has introduced specialized training courses for hosts tailored to the pandemic period, covering skills such as effective communication with tenants, interior design, and photography techniques. These courses will serve as a knowledge source for hosts to strengthen their skill sets during this unique time, preparing them to collectively embrace the industry’s recovery once the pandemic subsides. Sometimes, SEPs provide rewards to motivating suppliers to participate and contribute value in exchange for returns (Ceccagnoli et al., 2012). In addition, SEPs provides interface or customer-related data to suppliers

to encourage collaborative production and capitalize on productivity-enhancing opportunities amidst technological and market uncertainties (Chen et al., 2022). For example, Amazon notifies suppliers to adjust prices based on consumer demand.

Openness

Platform openness refers to the degree to which a platform imposes fewer restrictions on participation, development, or usage across its various roles, whether for developers or end-users (Eisenmann et al., 2009). Openness has two dimensions: access (i.e., who is granted access to the platform?) and authority (i.e., to what extent is the actor empowered to act on the platform?) (Boudreau, 2010; Broekhuizen et al., 2021). Specially, reading access, SEPs can become less open by restricting supplier access to the platform. For example, BookBuddy has decided to restrict supplier access to the platform. They have implemented a new policy where only established publishing houses or authors with significant influence can upload content. Independent authors and smaller publishing houses are no longer able to contribute. This restriction may lead to a decrease in user engagement, as some users may seek alternative platforms that offer a wider range of content. Regarding authority, platforms have the option to adopt a restrictive controlling strategy or instead opt for an enabling strategy, whereby certain decisions (referred to as “transfer rights”) are delegated to the supplier (Hagiu & Wright, 2019). For example, under enabling strategy, suppliers are allowed to interact with end-users directly.

Big Data Governance and Algorithmic Management

Big data governance encompasses the management of people, processes, and technologies within an organization aimed at effectively utilizing the vast amounts of big data generated internally (Wang et al., 2018). Algorithmic management represents a paradigm shift from traditional organizational management or workplace technology, characterized by its comprehensive, instantaneous, interactive, and opaque nature (Kellogg et al., 2020). Specifically, it facilitates the inherent coordination of multi-party needs and activities on SEPs, offering real-time, personalized nudges, rewards, and penalties superior to static, one-size-fits-all management approaches (Wu et al., 2023). Moreover, algorithmic management

exhibits a dominant feature of selective, asymmetrical, and frequently changing information display policies in the workplace (Basukie et al., 2020; Shapiro, 2018). SEPs uses algorithmic management that “combines big data, machine learning, and cloud-based and geo-location technologies” (Wu et al., 2023, p. 1). Algorithmic management heavily relies on the datafication of labor processes in its operations (Veen et al., 2020). Critical scholarship on the impact of algorithmic management often characterizes it as a “black box,” symbolizing an unseen force that organizes, regulates, evaluates, and possibly influences workers’ conduct (Zheng & Wu, 2022). Such algorithmic management triggers tensions between suppliers and SEPs (Möhlmann et al., 2021). Detailed, using effective algorithms to allocate work on a ridesharing platform may benefit drivers by fostering cooperation among workers and making strategic organization transparent (Basukie et al., 2020). However, for example, algorithms continually request riders to complete deliveries in shorter time frames after learning their delivery routes. Rating systems are employed to assess suppliers’ performance levels; however, utilization of rating systems does not accurately assess the performance of suppliers and may introduce biases.

Value Appropriation Strategy

Value appropriation denotes the portion of the overall created value that each party is entitled to claim from the value “pie” (Jap, 2001; Niesten & Stefan, 2019). SEP appropriates values from suppliers (Zhang et al., 2021). For example, Amazon is leveraging its position as a gatekeeper to increase the share of revenue it takes from independent sellers on its platform. This is achieved through various fees imposed on them, effectively imposing a significant tax on their transactions. In doing so, Amazon profits from these businesses while simultaneously burdening them with additional costs, thereby undermining them as competitors (Self-Reliance, 2019).

RESOURCE DEPENDENCY THEORY

Academic research draws on resource dependency theory to explain SEPs’ supplier governance strategies (Cutolo & Kenney, 2021; Karanović et al., 2021). Resource dependency theory suggests that the power dynamics within organizations are shaped by their reliance on entities

that control critical resources, thereby enabling these resource holders to exert influence over them (Davis, 2016). According to resource dependency theory, relationships between organizations are based on the exchange of resources (Karanović et al., 2021). Dependent enterprises rely on resources provided by platforms, such as market access, technical support, and brand influence, while platforms depend on suppliers for content, services, or other complementary resources. SEPs, as providers of resources, wield greater power in such relationships because they control resources crucial to suppliers (Cutolo & Kenney, 2021). This power imbalance may lead to dependence of suppliers on platforms, thereby weakening their autonomy and bargaining power (Tschang, 2021). Platforms can influence the behavior and decisions of dependent enterprises by controlling resource allocation and access conditions, thereby governing them.

THE CASE—FOOD DELIVERY PLATFORM IN CHINA

Ele.me and Meituan Waimai have opted to outsource their delivery operations to intermediaries, which they refer to as “agents” of the platform. The platform itself solely focuses on the development, maintenance, and optimization of its application and system infrastructure. These “agents” operate as independent entities, establishing multiple distribution sites across various cities to manage delivery logistics. Each of these sites, strategically positioned within approximately a three-kilometer radius, is overseen by a site manager, typically supported by assistant managers and personnel dedicated to recruitment. The site managers’ responsibilities encompass rider recruitment, performance management, issue resolution during deliveries, real-time monitoring of rider locations via the backend system, dispatch coordination, liaison with merchants, and mediation of rider-restaurant relations. Notably, the riders engaged in this setup operate without formal labor contracts, existing outside the purview of traditional employment or labor service relationships as defined by current Chinese labor laws.

Despite the diligence exhibited by delivery riders, they encounter escalating challenges due to the platforms’ persistent efforts to optimize delivery times through algorithmic interventions. Over the years, delivery time frames within a three-kilometer radius have progressively tightened, from one hour in 2016 to a mere 38 minutes by 2018, and further reductions subsequently. Consequently, riders resort to various tactics,

including speeding, riding against traffic, and disregarding traffic signals, in response to the relentless pressure exerted by platform algorithms. Paradoxically, the efficiencies gained from their exertions fail to translate into respite or enhanced earnings for riders, instead inviting heightened performance expectations from the platform.

Food delivery platforms have devised a meticulously structured operational framework akin to a “game” mechanism. Traditionally, managerial oversight encompassed guidance, evaluation, and incentives, with managerial discretion prevailing. However, contemporary dynamics have shifted, with platforms assuming the mantle of order allocation, delivery directives, and performance assessment, primarily predicated on consumer feedback. The platforms subsequently administer rewards and penalties based on consumer evaluations, albeit in a severely imbalanced manner. For instance, a positive review garners a nominal reward of 2 yuan, whereas a negative review incurs a hefty penalty of 10 yuan, with more severe consequences for reported grievances, potentially resulting in deductions of up to 200 yuan.

In a bid to mitigate delivery challenges, Ele.me recently introduced a novel feature enabling customers to opt for a brief wait extension of 5 or 10 minutes during the payment process. This ostensibly empowers customers to accommodate unforeseen delays and extend leniency to delivery riders. However, the underlying mechanism ultimately shifts the burden of resolution to consumers, predicated on their empathy and willingness to accommodate delivery uncertainties. Regrettably, this feature fails to address underlying systemic issues within the platform and merely deflects operational challenges onto end-users without effecting substantive change.

CONCLUSION

In conclusion, the governance of suppliers within sharing economy platforms is a multifaceted issue. While these platforms offer valuable opportunities for suppliers to reach customers and innovate, challenges such as exclusive policies and exploitative algorithms have emerged. It is imperative to strike a balance between platform interests and supplier profits. This can be achieved through strategies like promoting openness, sharing resources, and implementing transparent algorithmic management. By addressing these complexities, sharing economy platforms can foster a more equitable and sustainable relationship with their suppliers, ensuring mutual success in the long term.

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The Fellow Customers' Engagement Behaviors in SEPs

Ruizhi Yuan, Cheng Wang, and Lixian Qian

CUSTOMER ENGAGEMENT BEHAVIORS

Engagement is a salient concept in relationship management practice. It has received substantial attention in social psychology (civic engagement), political science (state engagement), and organizational behavior (employee engagement). However, engagement through marketing does not have a long research history (Brodie et al., 2011; Leeftang, 2011).

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Very few scholars used the terms “consumer engagement” and “brand engagement” until the past decade. For instance, Brodie et al. (2011) defined customer engagement as “a psychological state that occurs by virtue of interactive, co-creative customer experiences with a focal agent/object (e.g., a brand) in focal service relationships” (p. 260). Similarly, Vivek (2009) defines the term as the intensity of consumer participation and connection with an organization’s offerings and/or organized activities. This chapter draws upon Verhoef et al.’s (2010) finding on CEB and considers customer engagement as a behavioral manifestation of a brand or firm that is beyond mere participation in transactions. Prior research exploring the antecedents of CEB has primarily investigated consumers’ personal characteristics (e.g., customer ability, brand experience, willingness to participate, involvement, trust, and perceived value) (Parihar et al., 2019; van Doorn et al., 2010), firm-focused factors (e.g., service quality, brand advertising, and brand features) (Kuvykaite & Piligrimiene, 2014), or contextual factors (e.g., Facebook element use and social media platform characteristics) (Pongpaew et al., 2017). Surprisingly, few papers have addressed social media itself as an antecedent to customer engagement. Given the wide array of SEPs in use today, our understanding of CEB would benefit from further exploration of CEB in SEPs.

According to Dessart et al. (2015), differences in the dimensionality of customer engagement and in the engagement foci (a brand, an online brand community, or multiple objects) have created confusion in the literature regarding the conceptualization of CEB. Therefore, this study adopts the behavioral approach of CEB (van Doorn et al., 2010) under the category of “engagement with an online community,” specifically referring to fellow customers in the community. Online CEB begins at the moment an online community member participates in a dialogue by exchanging information, searching for solutions, answering questions, generating reports, and/or providing product reviews (Vivek et al., 2012). An online community is a social network that enables individuals to engage with others who share similar interests in a business, a brand, or a brand’s associated products (Prentice et al., 2019). Researchers have suggested that higher frequency of interaction with the focal object is an indicator of high engagement (Thakur, 2018). Calder et al. (2009) also highlight the role of engagement in advertising’s effectiveness in the online environment. Other studies emphasize the interactive experiential process of customer engagement with other brand community members (Brodie et al., 2011). Additionally, community engagement can be viewed

as enhancing customer brand loyalty (Zheng et al., 2015), improving online sales (Wu et al., 2015), and motivating members to recommend communities or brands to outsiders (Algesheimer et al., 2005).

Research on CEB focuses primarily on the positive aspects of CEB in SEPs and the subsequent consumer behavior (e.g., Harmeling et al., 2017). However, few studies have attempted to understand the negative impacts on CEB in SEPs from the fellow customer perspective. The service literature has discussed the importance of C2C interactions and fellow customers' psychological responses to dysfunctional customer behavior following service failures. For instance, Huang (2008) reports that severity of focal customer failure, firm responsibility, and perceived employee effort all contribute to the evaluation process underlying fellow customer dissatisfaction with the failure. Huang (2008) further finds that the influence of compensation on post-recovery satisfaction and behavior intentions depends largely on customer perceptions about employee efforts regarding other-customer failure. Other scholars, such as Kim (2017), suggest that receiving help from fellow customers will increase customer satisfaction through mitigating disappointment. Although a few studies have shown the importance of fellow CEB on satisfaction and repatronage intentions, knowledge concerning the antecedents of fellow CEB is lacking. In this study, we try to fill these research gaps by empirically investigating how focal customers' online complaints influence fellow customers' engagement with the focal customers.

In this study, we adopt Vivek et al.'s (2012) definition of CEB and use the intensity of individual participation in a dialogue with the focal customer's complaints as a manifestation of fellow CEB in the online community. Social presence theory claims that the social presence of a medium affects the recipients' understanding of content generated by senders (Chang & Hsu, 2016; Osei-Frimpong & McLean, 2018). This in turn enhances the participants' feelings while they are engaging in social interactions (McLean & Osei-Frimpong, 2017), which is likely to enhance their participation in online brand engagements. In SEPs, consumers are proactive information creators and negotiators who specifically seek, co-construct, and certainly benefit from highly persuasive information obtained from focal customers' more relevant real-life observations and experiences. More importantly, consumers tend to have more positive feelings toward recommendations provided by peer consumers than those provided by companies (Paek et al., 2011). Past studies have

also asserted that fellow customers in an online community are especially inclined to engage with consumers who share similar views (Hardey, 2011). They show a clear preference toward online content from “people like me.” Similarly, job engagement literature has suggested that engaged members of organizations may pursue good citizen behaviors that are helpful, informal, and conscientious (Rich et al., 2010). Recent studies have also found that members who engage in SEPs are more likely to receive information from fellow members because they seek actions that are informal and helpful (Wu et al., 2015). CEB in an online community is performed through a sense of public commitment, and such commitment will be determined by the levels of product evaluation by peers (Dutton & Dukerich, 1991).

CASE OF TUNIUI

To explore the effects of focal customers’ complaints on the CEB of fellow customers in SEPs, we chose to focus on Tuniu (途牛), the leading online travel agency in China, and collected data on customer complaints about its service on the country’s largest social media site, Sina Weibo, where we could capture the interactions between focal customers and the firm, and between focal and fellow customers.

Founded in 2006, Tuniu offers a large selection of packaged tours, including organized and self-guided tours, as well as travel-related services for leisure travelers. By the end of March 2019, the company had served a total of 15 million customers with over 1 million travel-related products. Driven by its mission of “Making Travel Easier,” Tuniu claims that online booking offers the best way for customers to receive quality service at the best price available (Montlake, 2013). The chosen online community, Sina Weibo, was launched in 2009 and had 462 million monthly active users in December 2018 (Weibo Corporation, 2019), and the overall users accounted for nearly 90% of the total Internet users in China. Following Seiler et al. (2017), we first searched using keywords related to our research focus on the Weibo website (www.weibo.com) and then collected the Weibo posts and the corresponding comments by scraping the website. Typical keywords we searched for are “Tuniu service failure” (途牛失败), “Tuniu disappointing” (途牛失望), “complain Tuniu” (投诉途牛), and “blame Tuniu” (途牛失责). We collected all available Weibo posts from the previous six months (from September 2018 to February 2019). This resulted in 87 posts. Some of the postings were discarded because they contained barely any helpful comments.

The complete sample included in the analysis contained 39 complaining Weibo posts.

DISCUSSION

Until recently, there has been a noticeable lack of research on the impact of focal customers on “other customers” in the service failure literature (Miao et al., 2011; Weber et al., 2016). In fact, their presence may influence the reactions of customers to the failure and subsequent service recovery of the company (Lee et al., 2013). Addressing such a gap, our findings shed light on how customers’ online complaints (i.e., the technical attributes of the complaints and firm responsiveness) following service failures affect fellow CEBs (i.e., the number of comments given in the complaints). Consistent with previous literature on the operationalization of customer engagement (Brodie et al., 2011; Calder et al., 2009), we propose that fellow customer engagement includes several behaviors such as posting likes and reviews and participating in dialogues in the online community. The findings in this study offer novel insights into the necessity and sufficiency of customers’ online complaints following service failures for achieving fellow CEB.

In the past decade or so, the body of literature on customer engagement has been growing (e.g., Hollebeek et al., 2014; Pansari & Kumar, 2015). Researchers have proposed different conceptualizations of customer engagement and do not necessarily converge on its operationalization or its antecedents and consequences (Thakur, 2018). Some have conceptualized customer engagement as a unidimensional construct (Dessart et al., 2015; van Doorn et al., 2010). This study examined customer engagement as a behavioral manifestation that involves posting comments in the online community. This study further investigated whether fellow CEB is largely influenced by focal customers’ information sharing in the community in the service failure context. The empirical results validate the significant impacts of both the technical attributes of the complaints and the perceived firm responsiveness on fellow CEBs. Tests reveal that interactional types of failure, with low customer trust, low frustration, and no apology responsiveness produce most fellow CEBs. In most cases, fellow customers tend to post comments on complaints by non-frustrated focal customers who experienced rude interpersonal treatment, felt deceived by a company, and did not receive any recovery from the company.

The findings further emphasize that emotional contagion does not necessarily lead to high fellow CEB. In other words, fellow customers who were exposed to fewer negative emotional (frustration) complaints actually produced more posts than those who received more negative emotional complaints. This contradicts the findings in previous literature, such as that emotion acts as a crucial determinant in instant information sharing in microblogs (Wang et al., 2017). However, Aladwani (2018) has a similar finding, arguing that the quality of social support significantly influences customer engagement in the online community. We expand the prior studies on CEB by highlighting the importance of the utilitarian value, rather than the emotional value, of information sharing in relation to engagement behavior in SEPs. Customers are more likely to converse with focal customers if they receive more informational complaints. In previous service recovery literature, this type of complaint has been referred to as rational thinking, which is a problem-focused coping strategy (Jin & Hong, 2010). Customers who engage in rational thinking view service failures from a realistic perspective, focusing on the causes of the problem and avoiding showing others how they feel about the negative experience (Sengupta et al., 2015). This study further argues that focal customers' rational thinking will generate more support from fellow customers.

Finally, fellow customers are more likely to engage with focal customers when firms do not respond. Compared with traditional complaint channels, online social interactions between individual customers are a distinguishing characteristic of service recovery situations, where customers join in the dialogue with the expectation of a satisfactory service recovery (Bacile et al., 2018). The results illustrate that a lack of service recovery from service companies enables other customers to civilly interact online with focal customers. Fellow customers might expect to offer social support to these "injured" focal customers. Prior studies show that when customers engage in public complaining activities, they expect the service company to be responsive toward their complaint in order to solve the problem (Istanbulluoglu, 2017; van Noort & Willemsen, 2012). This study advances these studies and confirms the importance of complaints that receive no responsiveness in generating rapport from peers. More importantly, this finding also suggests the importance of on-time firm responses, possibly followed by service recovery strategies, to reduce the generation and spread of negative WOM between fellow and focal customers.

MANAGERIAL IMPLICATIONS

The findings are practically useful for managers in that they shed light on whether, when, and how service firms should address customer complaints in SEPs. First, the results show that online customer complaints under various conditions exert an amplified negative impact by engaging fellow customers in negative WOM. This snowball effect is potentially devastating to any firm if it does not effectively intervene as early as possible. Therefore, while some researchers argue that social media platforms such as SEPs are made for people, not for firms (e.g., Fournier & Avery, 2011), this study suggests that firms should take a more proactive approach to handling customer complaints in SEPs before they become out of control. For example, firms could use the LARA framework to systematically monitor and respond to complaints made online (Tuten & Solomon, 2018).

Second, this study found six specific conditions when online complaints are likely to attract a higher level of fellow CEB. These are situations managers should pay special attention to and take customer complaints more seriously to avoid potential damaging effects. Managers could use the five complaint attributes and two firm responsiveness variables of this study to carefully analyze and categorize each online complaint. Once an online complaint is classified as one of the six critical conditions, a service recovery strategy should be in place to prevent it from creating further damage. For example, the results suggest that compared with emotional online complaints, rational or factual ones are more damaging because they result in greater fellow CEB, which is somewhat counterintuitive. The implication for managers is straightforward. They should take good care of rational or factual complaints, and leave emotional ones as they are because they have little negative influence on fellow customers.

Finally, this study also provides insights into how service firms can effectively handle customer online complaints (in particular, the six critical conditions that can lead to high fellow CEB) or even proactively prevent them. For instance, lack of firm responsiveness was found to be an important factor in several complaint conditions and motivates fellow customers to engage in negative WOM. The implication is that a speedy and sincere apology from the firm, which is easy to offer, could go a long way to reducing focal customers' dissatisfaction following a service failure and fellow customers' negative WOM behavior. Further, this study found that complaints about interactional service failures and distrust with

service firms are more likely to lead to higher fellow CEB. Therefore, to prevent such complaints, managers should provide professional training to frontline service employees (e.g., how to practice emotional labor when interacting with customers) and develop a trusting relationship with their customers through, for example, an effective loyalty program.

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Is “Putting Yourself in Their Shoes” Beneficial in a Multicultural Environment?

Weisha Wang and Ibrahim Abosag

INTRODUCTION

The rapid growth of immigration and the exponential development of technology have created many multicultural societies. Considering all forms of movement, 137.9 million people arrived in the UK in the year ending March 2018. Chinese and Indian nationals alone accounted for just under half (46%) of all visits (Office for National Statistics, 2018). Contact with culturally unfamiliar people, values, and social systems often leads to psychological and changes among the visitors/host societies/immigrants (Gibson, 2001). These changes can take place as a result of either immigration or globalization (Chen et al., 2008). In particular,

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immigration provides opportunities for people to physically experience two seemingly conflicting cultures (e.g., Chinese and American culture), and to identify with both their own ethnic culture and a global culture, by acquiring essential customs, thinking style, and components of the language (Chen et al., 2008) (hereafter referred to as immigration-based acculturation). More importantly, as technology grows, cultures around the world that were once isolated from each other are now interacting. Intercultural contact is an unavoidable phenomenon, and technology-mediated globalization is driven by issues such as the speed of travel, communication, and development of technology (hereafter referred to as technology-mediated acculturation).

The significant differences between immigration-based acculturation and technology-mediated acculturation have attracted much debate in the fields of psychology (Chen et al., 2013) and business literature (e.g., Wang & Abosag, 2019). Li and Tsai (2015) and Park et al. (2014) highlighted that social media usage influences how one acculturates into the mainstream society. However, technology-mediated acculturation in isolation may prohibit cognitive acculturation compared to immigration-based acculturation (Wang & Abosag, 2019). In a multicultural society, the adaptation process involves the resolution of cultural conflict and expectations. According to the Categorization-Processing-Adaptation-Generalization (CPAG) model (Crisp & Turner, 2011), the degrees of psychological and social-cultural adaptation may differ between ethnic minority and ethnic majority. Individuals differ in their perceptions of how compatible the two cultural identities are, and such differences are captured by Bicultural Identity Integration (Benet-Martínez & Haritatos, 2005). The outcomes of compatible dual cultural identities are desirable. For example, individuals who perceive their dual cultural identities as compatible and overlapping report better psychological well-being (Chen et al., 2013) and higher levels of creative performance (Cheng et al., 2008; Lee et al., 2012) in the acculturation process. Surprisingly, there is a lack of research that examines the antecedents of BII; thus, it is important to investigate how individual difference variables may influence one's level of BII.

Extending Benet-Martínez and Haritatos (2005) work on the psychosocial antecedents of BII, we propose that one's cognitive tendency to think from other people's perspective, which is captured by perspective-taking (Quintana et al., 1999), influences the perceived compatibility of the dual cultural identities. High perspective takers acknowledge the

competing perspectives and can forge conceptual links among these (Quintana et al., 1999), although such conceptual links may contribute to individual variations in their perceptions of the compatibility of two cultures. It is reasonable to believe that high perspective takers tend to appreciate cultural differences and can build connections between ethnic culture and global identity. Thus, we investigate the relationship between perspective-taking and one’s level of BII. We further explore the moderating role of the acculturation group (immigration-based vs. technology-mediated) on the relationship between perspective-taking on BII. Addressing this issue is important as we need to put appropriate resources (e.g., training, activities) in place to enhance one’s perspective-taking skills to enjoy the benefits of holding compatible dual cultural identities.

In the following sessions, we first provide an overview of the relevant literature on Bicultural Identity Integration (BII), perspective-taking, acculturation group, and theoretically derived research hypotheses. We then report the results of the experiment that was used to empirically test our hypotheses. Finally, we conclude with a detailed discussion of the relevant theoretical contributions and provide directions for future research in this area.

THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

Bicultural Identity Integration (BII)

Biculturals are individuals who identify with two distinct cultural identities (Benet-Martínez, 2012). Well-developed schemas of cultural experts can be used to describe the cognitive characteristics of bicultural individuals. Cultural schemas have been used as a tool for describing culturally oriented mental models that provide explanations for action (d’Andrade, 1995; Palmer, 1996). Malcolm and Sharifian (2002) defined culture schemas as the conceptual structures that enable an individual to store conceptual information about his or her culture and to interpret cultural experiences and expressions. Since bicultural individuals have been exposed to two cultures extensively, their cultural schemas may be distinct from their monocultural counterparts in terms of the characteristics. Bicultural individuals’ “special” cultural schemata may evolve from their experiences in two different cultures. Much research

on biculturalism has assumed that bicultural individuals rely on dual cultural meaning systems to interpret social and other phenomena. Aaker (1999) suggested that Asian American biculturals are switching between Eastern and Western cultural meaning systems. In contrast to monoculturals, biculturals often switch between their cultural-related mental frames according to the diverse social contextual cues they receive when compared with monoculturals (e.g., Hong et al., 2000; Lau-Gesk, 2003).

Prior research suggests that bicultural individuals tend to manage and negotiate their dual cultural identities differently (Benet-Martínez & Haritatos, 2005; Chen et al., 2008; Haritatos & Benet-Martínez, 2002). Some biculturals are more competent than others in multicultural environments. Bicultural Identity Integration is an individual difference variable proposed by Benet-Martínez and Haritatos (2005) which differentiates one group of bicultural individuals from the other, based on their subjective perceptions about “how much their dual cultural identities intersect or overlap” (p. 1019). In particular, bicultural individuals who perceive their mainstream and ethnic cultural identities as compatible and integrated are recognized as high BII, whereas those who perceive their two cultural identities as oppositional or conflicting are low BII (Benet-Martínez et al., 2002). Furthermore, Cheng et al. (2008) suggested that high BII is better at simultaneously accessing multiple identities and identity-related knowledge when compared with those of low-BII counterparts. Although low BII identifies with both cultures, they often report difficulties in incorporating both cultures into a cohesive sense of identity (Benet-Martínez & Haritatos, 2005; Phinney & Devich-Navarro, 1997). Therefore, it is not surprising that low BII feels more conflicted about their cultural duality. Bicultural Identity Integration (BII) is one of the most important and influential individual difference variables, which has attracted the attention of scholars from various disciplines.

The benefits of being a high BII have been widely studied in the area of cross-cultural psychology (Cheng et al., 2006), personality studies (Benet-Martínez & Haritatos, 2005; Nguyen & Benet-Martínez, 2007), and communication studies (Kim et al., 1998). In particular, high BII tends to achieve better mental health when acquiring resources from the mainstream cultural environment (Chen et al., 2008). Additionally, Mok and Morris (2009) revealed that American Chinese with a high level of BII have more non-Asian friends than their low-BII counterparts. Similarly, the strength of one’s cultural identification also influences whom they interact with, while individuals who strongly identified with their

ethnic culture have more ties to co-ethnic individuals (Gudykunst & Kim, 1992; Neto, 2012). Low BII may encounter greater difficulties in internalizing the mainstream culture because of its relation to higher acculturation stress and lower openness to experience (Benet-Martínez & Haritatos, 2005). Moreover, one’s level of BII also influences one’s creativity (Mok & Morris, 2010). In other words, individuals with a high level of BII tend to produce more novel solutions in divergent thinking tasks when compared with those with a low level of BII. Despite the widely recognized positive outcomes of BII, our understanding of what influences one’s BII is still lacking.

Perspective-Taking

Perspective-taking generally refers to one’s ability to see things from others’ viewpoints (Leslie, 1991). There has been a long tradition of research investigating perspective-taking in psychology. Individuals with perspective-taking ability are less likely to formulate stereotypic biases. According to Davis (1983), perspective-taking is positively correlated with both social competence and self-esteem. In other words, individuals with higher perspective-taking ability tend to have higher self-esteem than others. In social psychology studies, perspective-taking produces many interpersonal benefits and also facilitates inter-group interaction (Galinsky & Moskowitz, 2000). As the self- and in-group concepts overlap, after perspective-taking, such overlap could lead to more positive evaluations of other in-group members, which might then generalize to the group as a whole. Vescio et al. (2003) study suggested similar findings, where perspective-taking promotes improved inter-group attitudes, irrespective of the degree to which stereotypes are endorsed. In the domain of the interpersonal relation, perspective-taking reduces stereotype endorsement; for example, individuals who believed they understood their grandparent’s viewpoint demonstrated a more positive attitude toward elderly people (Quintana et al., 1999). The development of perspective-taking has been shown to resolve conflicts cooperatively (Eiseman, 1978). Perspective-taking continues to be an important concept within the study of organizations and has been applied to the topics of leadership style and managerial development (Fisher & Torbert, 1991). The best managers are believed to see and understand environmental and organizational events from multiple, rather than single, perspectives. Perspective-taking appears to be a particularly critical ability in negotiation; literature reports that

individuals who are able to consider the world from another individual's viewpoint have better abilities in discovering hidden agreements and bringing more resources to the bargaining table (Galinsky et al., 2008). With the skills of thinking from others' viewpoints, individuals are able to understand where and how conflict arises. Thus, in a multicultural environment, the ability to put themselves in others' shoes allows people to appreciate the cultural conflicts.

The Effect of Perspective-Taking and BII

Biculturalism researchers began to explicitly accept perspective-taking as an important ability (Quintana, 1994). Prior research suggests that bicultural experience strengthens one's perspective-taking ability. To illustrate, biculturals tend to develop a better ethnic perspective-taking ability than monoculturals do (Fitzsimmons et al., 2011). In the process of identifying with two cultures, bicultural individuals learn more about their own worldview and the worldview of other ethnic groups (Ortiz, 2000). Despite the evidence that biculturals may be better perspective takers than their monocultural counterparts, supported by the argument that bicultural experience is the prerequisite of perspective-taking development (Quintana, 1994), a key question remains unanswered. Does perspective-taking as an individual difference variable affects one's perception of how compatible and integrated the dual cultural identities are? Although culture does strongly impact on the formation of perspective-taking, it is not necessarily true that all bicultural individuals are equally subjected to cultural influences (Kim & Ebesu Hubbard, 2007). Some are less likely than others to accept the predominant values of the mainstream culture, so individual differences in perspective-taking ability can sometimes lead to a circumvention of cultural influence. Additionally, mainstream culture may exert deeper impacts on some bicultural individuals than on others. For instance, some Chinese-American biculturals perceive two cultural identities as compatible, whereas others view the two cultural identities as contradictory to each other (Benet-Martínez & Haritatos, 2005). One's perspective-taking skills are expected to allow bicultural individuals to effectively adopt a bicultural identity and to perform effectively in a multicultural environment. Furthermore, Rutland et al. (2012) suggested that bicultural individuals with a higher level of perspective-taking ability tend to have higher levels of peer acceptance and less preference for same-ethnic friendships than those with a lower level of perspective-taking

ability. Quintana (1994) and Ortiz (2000) suggested that biculturals are sufficiently competent to learn the worldviews of others. Individuals high on perspective-taking are expected to jump out of their perspective and perceive the world from another ethnic group’s perspective; that is, they are more likely to see both the mainstream and the ethnic cultural perspectives and forge a conceptual link. One’s perspective-taking ability is expected to influence the acculturation process. Therefore, we propose the following hypothesis:

- H1: There is a positive relationship between perspective-taking and Bicultural Identity Integration (BII).

The Moderating Role of the Acculturation Group

Acculturation broadly refers to changes within the individuals that take place as a result of contact with culturally unfamiliar people, values, and social systems (Gibson, 2001), while biculturalism has been identified as one of the four ways to acculturate (Nguyen & Benet-Martínez, 2007). Individuals who have experienced and identify with two cultures are generally recognized as biculturals (LaFromboise et al., 1993; Smokowski et al., 2009); they understand two cultures and adjust their behavior to the demands of cultural context (Hong et al., 2000). According to Sam and Berry (2010), “nearly every person living in a culturally plural society can be said to be experiencing some form of acculturation.” Researchers on acculturation support the idea that individuals can successfully develop competency within more than one culture (Tsai et al., 2000). Immigration and globalization can be understood as two different possible forms of acculturation to non-local cultures (Chen et al., 2008, 2016). They suggest that an immigration-based ethnic minority adapts to another culture as a result of immigration, whereas the cultural adaptation for technology-mediated acculturation is largely reliant on technological development. Globalization has enabled young consumers in East Asia to be exposed to and experience the global culture through digital media without physically visiting the area. In other words, people can experience global ideals, products, images, and digital communications through mass media and the Internet, particularly social media networks (Appadurai, 1990; Chen et al., 2016). Exemplar global products in China are Starbucks coffee stores and McDonald restaurants. This can, in effect, help

them develop dual cultural identities (e.g., Zhang, 2009). For example, the ethnic majority in China may have therefore developed both local and global identities, influenced by global norms, values, and thinking styles, acculturating to the global culture as a result of technological development (Chen et al., 2008, 2016).

Although immigration and technological development have allowed young East Asians to develop both ethnic identity and a global cultural identity, the acculturation challenges faced by the ethnic *minority* and ethnic *majority* are different (Chen et al., 2016). The immigration-based ethnic minority are likely to face pressing and involuntary acculturation challenges. In the process of adapting to the mainstream culture, they must accommodate their identity issues to those of the dominant ethnic majority to function in daily life. The immigration-based ethnic minority is likely to have strengthened their cognitive skills to conform to the dominant society. Being a member of an ethnic minority may require flexible thinking, as the acculturation process is more challenging than being part of an ethnic majority (Crisp & Turner, 2011). The more they understand the cultural differences the more likely it is that the degree of consistencies between two cultural identities is enhanced. Individuals with a high level of perspective-taking ability are more likely to think from other people's perspectives, particularly the perspectives of those whose thinking styles, values, and beliefs conflict with their own. In contrast, Chen et al. (2013) suggested that some biculturals perceive themselves as part of a combined culture, and to find it relatively easy to integrate both global culture and local culture into their everyday lives rather than selecting one culture over the other. Other biculturals may have difficulties in integrating global culture with their local culture, and they tend to defend their own local culture by adhering to their local cultural norms and practices in the acculturation process.

Consistent with the elaboration likelihood model (ELM) (Petty & Cacioppo, 1986), ethnic minorities are more motivated than ethnic majorities to engage in more effortful and heuristic ways of processing cultural information (Tsai et al., 2000), instead of a more systematic approach which requires less effort. When the ethnic minority needs to adopt useful features from the mainstream culture, their abilities in this regard may vary. Some ethnic minorities may adapt well to and function effectively in the mainstream culture daily, whereas others may adopt fewer features, or have difficulty in adapting to the new culture. These minorities will experience some sort of acculturation stress in the process,

and those who perceive their cultural identities as separate and conflicted tend to have low levels of psychological well-being (Chen et al., 2016). On the other hand, members of the ethnic majority can voluntarily select elements of social institutions and cultural practices from both local and global cultures that are congruent with their values, beliefs, and ideals. In other words, as an ethnic majority, there is no adaptation pressure in the process of integrating a local identity with a global identity. The challenges faced by the technology-mediated acculturation group are not as fierce as those in the immigration-based acculturation group (Chen et al., 2008). In contrast to immigrants and ethnic minorities, individuals experiencing technology-mediated acculturation voluntarily select which element or elements of the global cultural identity to adopt. Their ability to understand from a different cultural perspective allows individuals to develop a harmonious and blended cultural identity. Thus, we posit that one’s perspective-taking ability will influence the perceived compatibility of two cultural identities (Bicultural Identity Integration) for globalization-based acculturation only, and propose the following hypothesis:

- H2: The acculturation group moderates the relationship between perspective-taking and Bicultural Identity Integration (BII).

METHODS

Research Design and Sample

We employed a 2 (perspective-taking: high vs. low) \times 2 (acculturation group: immigration-based vs. technology-mediated) between-subjects design, with Bicultural Identity Integration (BII) as the dependent variable and perspective-taking and acculturation groups as the independent variables. A total of 164 female undergraduate students participated in this study to control for the potential confounds of age and gender. Of the 164 participants, we recruited 82 female Chinese undergraduate students from a large South East University in China to represent a technology-mediated acculturation group and 82 female Chinese undergraduate students from a large University in the UK to represent an immigration-based acculturation group. The mean age of all participants

was $M_{\text{age}} = 22.78$ ($SD_{\text{age}} = 1.30$). Gender is not expected to play a significant role in determining the types of cultural stimuli that people favor (Lau-Gesk, 2003; Zhang, 2009). Following Wang and Abosag (2019) and Zhang (2010), we propose that Chinese individuals in the age group of 18–35 and with a university degree experience identity challenges and develop bicultural identities through globalization.

Procedure and Measures

All participants received a cover letter stating the aim of the study. Next, participants responded to a series of questions about their attitudes toward the dual cultural identities. For the immigration-based acculturation group, we adapted Benet-Martínez and Haritatos' (2005) Bicultural Identity Integration Scale to capture the degree to which “biculturals perceive their mainstream and ethnic cultural identities as compatible and integrated vs. oppositional and difficult to integrate.” We modified Benet-Martínez and Haritatos' items to replace American culture with British culture (e.g., I am simply a Chinese person who lives in Britain; I keep Chinese and British cultures separate; I am conflicted between the British and Chinese ways of doing things; I feel caught between the Chinese and British cultures; I do not feel trapped between the Chinese and British cultures). Each item was answered on a 7-point Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree), and the Cronbach's alpha was 0.77. For the technology-mediated acculturation group, we also modified Benet-Martínez and Haritatos' (2005) BII to capture the degree to which individuals perceive their global cultural identities (influenced by global norms, values, and thinking styles) compatible with their ethnic cultural identities (e.g., I am simply a Chinese person who lives in a global village; I keep Chinese and global cultures separate; I am conflicted between the Chinese and global ways of doing things; I feel caught between the Chinese and global cultures; I do not feel trapped between the Chinese and global cultures). All responses were recorded on a 7-point Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree), and the Cronbach's alpha was 0.81. Participants in both acculturation groups then responded to Davis' (1983) seven-item perspective-taking scale to measure one's cognitive tendency to adopt the perspectives of others in everyday life. All responses were recorded on a 7-point Likert-type scale (ranges from 1 = strongly disagree, 4 = neither agree nor disagree, 7 = strongly agree). Exemplar items are:

“I believe that there are two sides to every question and try to look at them both”; and “I sometimes find it difficult to see things from the ‘other guy’s’ point of view.” Also, Singelis (1994) 7-point Likert-type style self-construal scale and Luna and Peracchio (2001) 5-point Likert style language proficiency scale were included to ensure that one was acculturated. Only participants who reported as being equally proficient in both English and Chinese and who had equally well-developed interdependent and independent self-construal were selected. Lastly, participants responded to demographic questions (e.g., gender, age group, nationality, length of stay in the UK [for participants in the UK] and frequency of travel in the last three years [for participants in China]) that were also included in the questionnaire.

Results and Discussion

Following manipulation checks, there were no significant differences in self-construal and language proficiency within the immigration-based acculturation group, $p > 0.05$, $M_{\text{interdependence}} = 4.69$, $M_{\text{Independence}} = 4.38$, $M_{\text{English}} = 4.33$, and $M_{\text{Chinese}} = 4.09$. Similarly, participants in the technology-mediated group also reported similar levels of interdependence and independence, with $M_{\text{interdependence}} = 4.58$, $M_{\text{independence}} = 4.42$, $M_{\text{English}} = 4.10$, $M_{\text{Chinese}} = 4.26$, $p > 0.05$. Thus, our manipulation was successful. A 2 (acculturation type: immigration-based vs. technology-mediated) \times 2 (perspective-taking: high vs. low) between-subjects ANOVA was carried out with BII as the dependent variable. Perspective-taking and acculturation groups were the independent variables. The two-way ANOVA on BII (Cronbach’s $\alpha = 0.80$) yielded a main effect of perspective-taking, $F(1, 160) = 11.18$, $p < 0.01$, $\eta^2 = 0.07$, suggesting that high perspective-taking leads to high levels of BII ($M = 4.28$, $SD = .91$) and that low perspective-taking leads to low levels of BII ($M = 3.88$, $SD = 0.68$). Thus, H1 is supported. Table 10.1 shows the means and standard deviation of BII among immigration-based and technology-mediated acculturation groups.

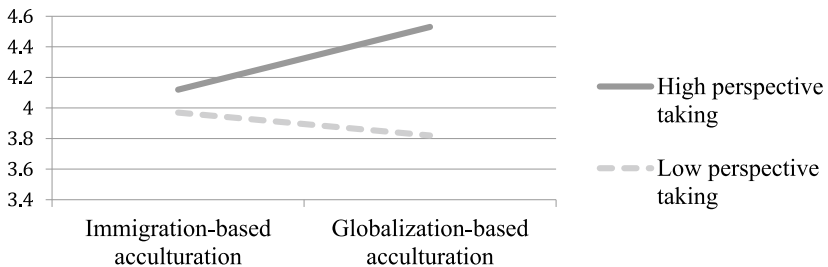
The 2×2 ANOVA also yielded an interaction effect between acculturation group and perspective-taking: $F(1, 160) = 4.82$, $p < 0.05$, $\eta^2 = 0.30$. Simple effects analysis revealed that, among individuals who experience technology-mediated acculturation, high on perspective-taking leads to a high level of BII ($M = 4.53$, $SD = 1.00$), whereas low on perspective-taking leads to a low level of BII ($M = 3.82$, $SD = 0.62$), F

Table 10.1 Means (standard deviation) of Bicultural Identity Integration (BII) by perspective-taking and acculturation groups

| <i>Bicultural Identity Integration</i> | | | |
|--|--|--|----------------------------------|
| | <i>Immigration-based acculturation</i> | <i>Technology-mediated acculturation</i> | <i>Total</i> |
| High perspective-taking | M = 4.12 SD = 0.82 N = 45 | M = 4.53 SD = 1.01 N = 26 | M = 4.27 SD = 0.91 N = 71 |
| Low perspective-taking | M = 3.97 SD = 0.77 N = 37 | M = 3.82 SD = 0.62 N = 56 | M = 3.88 SD = 0.68 N = 93 |
| Total | M = 4.05 SD = 0.80 N = 82 | M = 4.05 SD = 0.82 N = 0.82 | M = 4.05 SD = 0.81 N = 164 |

(1, 80) = 15.07, $p < 0.01$, $\eta^2 = 0.16$. Among individuals who experience immigration-based acculturation, there were no significant differences in the levels of BII between high perspective takers ($M = 4.12$, $SD = 0.82$) and low perspective takers ($M = 3.97$, $SD = 0.77$), $F < 1$, $p > 0.05$. The results are also plotted in Fig. 10.1. No other significant effects were found; thus, H2 is supported.

This research investigated the relationship between one's perspective-taking ability and one's level of Bicultural Identity Integration (BII). Our findings demonstrated that perspective-taking influences one's level of BII, which explains why individuals who experience the same type of acculturation experience vary in their perceptions of cultural compatibility.

**Fig. 10.1** Mean attitudinal responses to BII as a function of perspective-taking and acculturation groups

We contribute to the biculturalism literature by highlighting an important individual difference variable—perspective-taking plays in influencing BII. Prior research has suggested that certain dispositional characteristics can affect the meaning and impact of cultural processes (e.g., Chiu et al., 2000). Personality traits influence how compatible one’s two cultural identities are perceived (Benet-Martínez & Haritatos, 2005). This research improves our understanding of the antecedents of BII by demonstrating what individual characteristics one should develop to enhance their perceived compatibility of dual cultural identities. In other words, *one’s perspective-taking ability reflects how well one can acculturate*. Our findings also extend Tadmor and Tetlock (2006) work, suggesting that exposure to another culture can enhance one’s willingness to acknowledge the legitimacy of competing perspectives.

Furthermore, our research also explored the moderating role of the acculturation group on the relationship between perspective-taking and BII. Specifically, perspective-taking influences one’s level of BII among individuals who acculturate as a result of technology-mediated globalization; such effects were not significant among those who acculturate as a result of immigration. Within the technology-mediated acculturation group, individuals are interacting with the global culture in their home environment, and thus identify with both local and global cultures. Following Wang and Abosag (2019) and Chen et al. (2013), technology-mediated acculturation members are likely to voluntarily select elements from the global culture to incorporate into their self-identity, integrating a local cultural identity with a global cultural identity. Individuals high on perspective-taking may find many elements of the global culture are congruent vs. oppositional with their own; thus, the ability to put themselves in other people’s shoes allows them to understand the underlying cultural differences and perceive a high degree of consistencies in cultural identities. In contrast, perspective-taking does not influence one’s level of BII among those who acculturate as a result of immigration. Individuals—whether high on perspective-taking or low on perspective-taking—need to learn the host culture and adapt their behavior in order to effectively function in the new culture (Chen et al., 2013). The ability to think from other people’s perspectives makes no differences in their subjective perceptions of East and West cultural distance and the degree of cultural compatibility. East and West cultures differ in many ways, and such differences are well received by high and low perspective takers who experience immigration-based acculturation as their desire for survival and

effective functioning in the second culture. They may have blended two cultural identities subjectively, but often alternate behaviors according to situational demands (Boucher, 2010; Wang & Abosag, 2019).

Our research findings have significant implications for practitioners. Although East Asians can acculturate as a result of immigration or technology-mediated globalization, cognitive skills such as perspective-taking exert different levels of impact on their perceived compatibility of the dual cultural identities. When marketers target East Asian markets, it is inappropriate to assume that all high perspective takers will perceive the dual cultural identities as compatible rather than contradictory. Furthermore, consideration should be given to putting appropriate resources in place to improve one's perspective-taking so that individuals can enjoy the benefits of having compatible dual cultural identities. For example, Chinese higher educators may consider providing their students with the experiences of working with their peers of different ethnic backgrounds, worldviews, and various demographic variables.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This research used Chinese students in China to represent the technology-mediated acculturation group. People in the West are receiving an increasing exposure to East Asian cultures facilitated by the development of technology, including networking sites, travel, the use of the Internet, movies, and interaction with other ethnic groups. Future research may investigate whether Westerners have also developed a dual cultural identity. Moreover, prior researchers use various criteria to confirm one's bicultural characteristics. For example, Benet-Martínez and Haritatos (2005) specified the length of stay in Western culture while recruiting biculturals; others measured participants' identification and language proficiency (e.g., Chen et al., 2013). Our research has followed the approach taken by Chen et al. (2013) by using Bicultural Identity Integration to confirm participants' bicultural characteristics. Future research could replicate our study with participants in multicultural societies, such as Singapore.

Future research should also consider other individual difference variables in cognition that are relevant in the acculturative context. Individuals are unavoidably experiencing cultural conflicts in language and cultural practices. Peng and Nisbett (1999) and Wang and Abosag (2019) claimed that the immigration-based acculturation group and the

technology-mediated acculturation group differ in their tolerance for contradiction which is captured by dialectical thinking. Future research may investigate whether dialectical thinking mediates the relationship between perspective-taking and BII.

CONCLUSION

Conceiving BII as an individual difference variable that captures one's perceptions of the compatibility of two cultures suggests the implications for psychological well-being and adjustment. Previous studies on perspective-taking and BII mainly focus on immigrants and sojourners (Crisp & Turner, 2011; Tadmor & Tetlock, 2006). This study demonstrated a positive relationship between perspective-taking and the level of BII. However, perspective-taking only influences the level of BII among individuals experiencing technology-mediated acculturation but not among those experiencing immigration-based acculturation. The acculturation group has been found to moderate the relationship between perspective-taking and its members' subjective perceptions of the compatibility of two cultural identities.

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The Luxury Purchase Intention of Affluent Chinese Consumers—Insights from Hong Kong and Shanghai Consumers

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Nguyen Bang, and Cui Stacey Li*

INTRODUCTION

The marketing of luxury brands is one of the fastest-growing sectors, with several research institutions routinely reporting on the burgeoning market and emphasizing its considerable value. One such report (Deloitte, 2018), *Global Powers of Luxury Goods 2018—Shaping the future of luxury*, underlined the world's 100 leading luxury goods companies make US\$217 billion from personal luxury goods sales in 2016. Statista (2018)

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Singapore Pte Ltd. 2024
R. Yuan and M. J. Liu (eds.), *Sharing Economy Platforms*,
https://doi.org/10.1007/978-981-97-5404-5_11

also predicts the value of the global personal luxury goods market will be the lead in the luxury market and expected continuously to grow 10–15% annually. Though the economists and financial reports predict economic uncertainty and geopolitical crises may influence the market internationally, the luxury market only has minimal impact as the luxury market generate sales US\$1 trillion at the end of 2017 (Deloitte, 2018).

Luxury goods had previously been the exclusive preserve of affluent consumers from privileged backgrounds (Tsai, 2005). Chadha and Husband (2006) suggest that the enthusiasm for luxury brands is already increasing in the emerging economies of China, India, Asia, the Middle East, and Latin America, an analysis supported by an earlier report from Verdict Research (2007) and Statista (2018). Kapferer and Bastien (2009, p. 454) comment on a paradigm shift in consumption patterns in the luxury goods market in recent years: “luxury now creates social stratification in countries in which it did not previously exist”. The focus of the market is gradually shifting from Western to Asia–Pacific countries. China, in particular, has become the key competitive arena for market share worldwide as Chinese consumers’ increasing wealth and the country’s growing global influence has generated a taste for the finer things in life. This phenomenon has propelled total sales of personal luxury goods in China. In 2019, China has been valued as a top performer which indicates Chinese consumers have regained their confidences; particularly middle-class consumers have emerged rapidly to boost sales in Mainland China (McKinsey & Co, 2019a). Furthermore, a regional highlight underlined Hong Kong and Macau also helped push growth into affirmative state, the market for personal luxury goods approaches \$41 billion.

Although the luxury market in China is continuously growing due to the increasing demands and more and more luxury retailers have opened up flagship stores in the majority of metropolitan areas (e.g., Beijing, Shanghai, Guangzhou, and Shenzhen, etc.), research conducted to understand the Chinese luxury consumers’ behavior as well as luxury retailers’ practices have remained sparse. For example, luxury brands such as Louis Vuitton, Gucci, Prada, Chanel, and others, recognizing the role that emerging countries play in global luxury consumption, are

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seeking to better understand consumer perceptions of luxury brands in these markets in order to formulate their global strategies accordingly. In China, Cavender and Rein (2009, p. 38) note that, in practice, not all luxury brands are delivering the total product and service experience to consumers and a gap remains between the expectations and reality of the service encounters for luxury purchases, with salespeople being described as “unhelpful, intimidating and rude”. It is clear that the luxury brands in China must step up their game by understanding the new market condition and the luxury consumers’ behavior in order to fulfill consumers’ expectations.

Against that background, the key aspect of the research study described in this paper is to examine a specific form of behavior and psychological trait, namely the consumer’s self. Understanding a consumer’s self enables luxury retailers to influence of the meaning of the brands and to influence the purchasing behavior of these consumers, here in the Chinese luxury context. Most studies reviewed Chinese luxury market as a whole from a general perspective; however, Greater China covered Mainland China, Hong Kong, Macao, and Taiwan. Consumers from these regions have different cultural background and therefore have different purchase intentions due to the level of influences domestically and internationally. As luxury retailers often focused on metropolitan areas, such as first-tier cities (e.g., Beijing, Shanghai, Guangzhou, and Shenzhen) are situated at the most well-connected and developed areas of the country with affluent and sophisticated consumers based on the evaluation of Chinese city tier system. Hong Kong as a post-handover from the colony of British Empire has a commercial complexity with different intents and purposes as one of China’s special administrative region which covers different cultural aspects and business opportunities.

Specifically, the aim of this study is to compare the luxury-purchasing behavior of Chinese consumers in Shanghai and Hong Kong, with particular respect to the impact of local and regional cultural differences on the formation of an individual’s social identity and the influence consequently exerted on their consumption choices. By comparing consumers in Shanghai and Hong Kong, the study is first to provide a nuanced view of regional cultural differences of Chinese luxury consumers.

Regional culture can be defined as the collective behavior of the residents of particular regions (Kroeber & Kluckhohn, 1952; Tylor, 1974), which is the rationale for this comparative study of inherent similarities and differences between the psychological factors determining the

patterns of consumption of luxury goods in Shanghai and Hong Kong, particularly consumers' extended self-image and their susceptibility to interpersonal and informational influences. For example, in South-East Asia (Hong Kong), that sense of self is more strongly influenced by family and other close social associations, independent of the individual's current personal social attributes, than by the drive to social engagement, public pressure, ethnic affiliation, or cultural expectations (Wong & Ahuvia, 1998). Gaining insights into the regional differences in China may provide luxury retailers a better taxonomy to meet the Chinese consumers' needs better.

LITERATURE REVIEW

The Development of the Luxury Market in China

China's economy has been growing exponentially for three decades, according to the U.S. Central Intelligence Agency (2008). Analysts noted more than a decade ago that this fact, combined with the Chinese government's revision of its regulations and protocols to attract more foreign inward investment and develop its economic infrastructure, has created vibrant market conditions for intending and active international marketers of luxury products to China (Economist Intelligence Unit, 1998; Tse et al., 1997).

Cui and Liu (2001), Danziger (2005), and Chadha and Husband (2006) are among several studies describing the socio-demographic and lifestyle variety that exists among Chinese consumers and concluding that marketers and retailers targeting China must gain a proper understanding of how its markets and consumers differ from their counterparts in the West. Debnam and Svions (2007) identify one route to the achievement of that strategic objective as the utilization of local partners and many overseas market entrants establish such joint ventures with the aim of lowering barriers to entry, reducing risk, and "navigating" the local market more efficiently. The same authors remark, however, that the relaxation of the Chinese government's restrictions on foreign ownership of retail and distribution operations in 2004 has reduced the extent to which a full joint venture is considered a prerequisite for entry into the luxury goods market in China. As more retailers of luxury brands invest directly in the Chinese market, such partnerships remain an important option for leveraging the development of a brands' presence. A study by

Cui and Liu (2001) shows how international organizations attracted by the potential of that massive market may fail to assess actual demand or to understand the diversity of Chinese consumers. Later studies by Danziger (2005), and Chadha and Husband (2006) explain how multinational luxury brands ‘tweak’ their marketing strategies to fit the Chinese market; how Chinese consumers are motivated to seek out luxury-branded goods; and how status symbolism influences their purchasing behavior in that context.

As the Chinese economy grows, so does the discretionary purchasing power of Chinese consumers, generating a ‘new rich’ in the country (Wu, 1997). An increasing number of studies have found that buyers of luxury goods remain a strong purchasing group in China: for example, Danziger (2005) and McKinsey & Co. (2013a). These affluent consumers spend their disposable income in order to “express themselves and to rebel against the subjugation of the past” (Chadha & Husband, 2006, p. 182). The relationship between the individual and his or her material possessions has fundamental psychological and sociological impacts on the construction and maintenance of both personal and social meaning (Jackson, 2004).

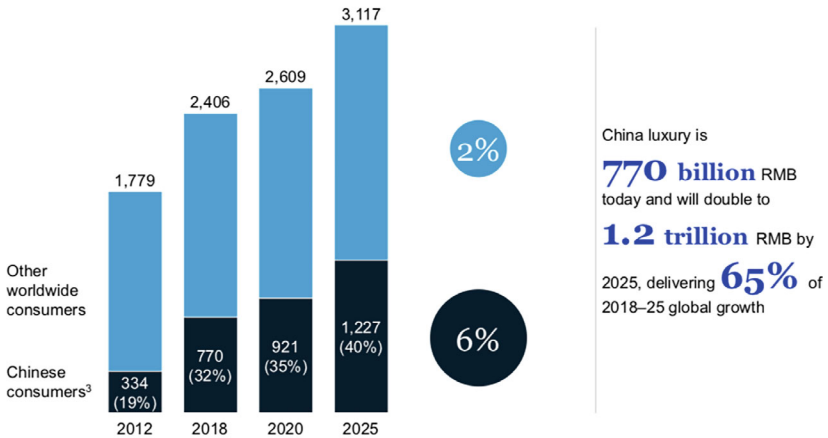
Between 2012 and 2018, China luxury consumers delivered more than half the global growth in luxury spending and is predicted to reach 65% of the world’s additional spending in 2025 (McKinsey & Co, 2019a). Such luxury fashion labels as Chanel, Gucci, and Louis Vuitton are among the most sought-after luxury brands in China, termed the ‘trailblazers’ in the State of Fashion by McKinsey & Company (2019b). ‘New rich’ consumers have made China the world’s largest luxury fashion market as wealthy Chinese go upmarket in spending (*Financial Times*, 2018). The changes can be foreseen from the quick growth from Chinese small urban middle-class to upper-middle-class households since year 2000. By 2020, there will be more than 30% of the upper-middle-class household in China; particularly in four first-tier cities (e.g., Beijing, Shanghai, Guangzhou, and Shenzhen), this figure is doubled compared to the numbers in year 2002 (McKinsey & Co, 2013b). Chinese luxury consumption has become the biggest growth since 2011 (Exhibit 11.1) and China’s affluent class (more than 65 million individuals) with high disposable income to buy luxury goods (McKinsey & Co, 2019a).

Luxury goods consumers in Japan, the United States, and Europe are notably older, trade sources placing them at between 40 and 70 years old. However, China’s luxury market condition has changed rapidly in

China is winning half of the luxury world.

Global personal luxury goods¹ market evolution
RMB² billion

2020–25 compound annual growth rate



¹Ready to wear, accessories, watches and jewelry, and beauty.

²Fixed exchange rate of €1 = 7.3 RMB.

³Both domestic and overseas spending.

Exhibit 11.1 China is winning half of the luxury world (*Source* China luxury report 2017, 2019)

the last decade. Lu and Pras (2010) stated that Chinese consumers’ attitudes toward the buying of luxury brands find that the annual household disposable income of the ‘new rich’ is ten times the national average household income per capita and even five times that in the country’s major cities in 2008. The majority of affluent consumers in China earn more than the equivalent of US\$15,330 per year (Atsmon et al., 2009) and are mainly between 20 and 45 years of age (Hedrick-Wong, 2007; Lu, 2008). Within a decade, many marketing consultancy companies and annual reports suggested that, within that age bracket, many luxury retailers pinpoint China’s post 90s consumers rapidly forming a significant luxury good consumption cluster (Bain & Co, 2019; PWC, 2018). Millennials, consumers aged 23–38, have become the power group that drives the luxury market.

Chinese-oriented societies exist beyond the PRC itself in Hong Kong, Taiwan, and Singapore, where the majority of the population are the descendants of Second World War survivors, poor agriculturalists, and fishermen who were forced to escape to the Southern Ocean to make a living during the hostilities. After the war, those territories, plus South Korea, benefited from steady industrialization and consequent economic improvement. The transition to flexible economic policies and open market conditions has been completed in recent decades on the mainland as in those other countries (Schütte & Ciarlante, 1998) and a new market of tens of millions of consumers with the ambition to lead luxury lifestyles and buy international high-end brands.

Consumption of Luxury Goods in China: A Social Identity Theory Perspective

Consumption behavior can be seen as an individual activity involving symbolic meanings, hedonic responses, and self-image involving “fantasies, feelings, and fun” (Holbrook & Hirschman, 1982). Consumers who purchase luxury goods often exhibit a higher level of involvement than others because that luxury status satisfies both the purchasers and the providers, who make use of premium pricing, exclusive offers, and luxury goods as competitive marketing strategies. This relationship benefits the latter more than the former (Groth & McDaniel, 1993). Tsai (2005) remarks that luxury goods were formerly available only to international royalty and affluent customers from privileged backgrounds, whereas one social group that cannot be ignored as a new and rising market for luxury goods is the younger generation. Luxury goods can be afforded today by a wider range of consumers than ever before (Forbes, 2017). In marketing to such target market segments, “buying to impress others” often serves as the strategic focus (O’Cass & Frost, 2002; Vickers & Renand, 2003), deriving from the marketing intelligence that such consumers typically intend to purchase and use luxury goods to impress others or express their own value in society, both as individuals and with respect to their reference groups. McGuinn (2000) proposes that affluent females, in particular, constitute a constantly growing market segment, which increased by 68% in two years between 1997 and 1999. A dramatic change in their attitudes to luxury consumption in the two decades from 1980 to 2000 is generally attributed to educational improvement and increased earning power. Female consumers are now the key target for

the majority of luxury brands, according to Barletta (2003) and Buckle (2019). The latest available industry statistics show that consumption by Chinese females has grown much faster than that of their male counterparts and now accounts for more than one-third of the total domestic luxury market (McKinsey & Co, 2019a).

On the international scale, the large population and expanding economy of China is seen as indisputably the world's largest market for brand-name luxury products (McKinsey & Co, 2019a), especially its major cities. The growth of the luxury goods markets also rapidly increased because of China's steady economic growth and strong consumer demand (Wang & Heitmeyer, 2006).

Konigs and Schiereck (2006) regard 'luxury goods' as a portmanteau term for the extended product portfolios of companies selling not only high-quality products but also emotional benefits, prestige, and exclusivity. Since the mid-1980s, consumers of those offerings have been 'chasing their dreams' and modifying their needs from ordinary mass merchandise to customized products. Substantial attention and debate in the literature has focused for very many years on consumers' perceptions of luxury goods and the need to understand luxury-purchasing behavior: see, for example Frederick (1929), Lane Benson (2000), and Woodruffe-Burton et al. (2001). Ram (1994) asserts that Asian consumers often demand more from luxury products than can be delivered simply by a 'fancy watch' or 'fine dining', aspiring to a wide range of premium-priced consumer products, even if they may not yet have secured the basic necessities of food, clothing, or housing. The phenomenon of individuals buying the same products for different reasons is likely to be attributable to the dominant influence of different cultural values or social influences (Li & Su, 2007). More specifically, Zhou and Nakamoto (2000) and Zhou and Belk (2004) suggest that the concept of 'face', an important cultural influence on social behavior in collectivist cultures in particular (Ting-Toomey, 1998), may be the critical factor in Asian consumers' strong appetite for luxury products. A closely related socio-cultural phenomenon is consumer susceptibility to interpersonal influence (Clark & Goldsmith, 2006; Netemeyer et al., 1992) as a result of which the individual uses consumption choices and patterns as a means of behaving as part of a social group. The influence evoking that response can be divided into 'normative' and 'informative' dimensions, the former referring to the tendency to conform to the expectation of the group to which one belongs or aspires to belong (Bearden & Etzel, 1982;

Burnkrant & Cousineau, 1975) and the latter to the tendency to seek information from others as an indicator of reality (Deutsch & Gerard, 1955; Netemeyer et al., 1992).

The Role of Self

Wiedmann et al. (2007) argue the self comprises distinct individual and social dimensions. It is in the former that the self-categorization process of a personal identity is manifested in the social environment through product ownership (Byun & De Vaney, 2006; Marks et al., 1988). Cultural impacts, one of the essential determinants of consumers' purchasing behavior and marketers' selling strategies, are one key to understanding how individuals associate their own social identity with that of groups or communities to which they intend to become affiliated. Previous studies that have investigated such cultural impacts from the personal and interpersonal standpoints show that individuals unite with others through their sense of self (Aron et al., 1992, 2013; Markus & Cross, 1990; Trafimow et al., 1991). Consequently, consumers normally rely upon the social meanings inherent in products as a guide to the performance of their social roles (Solomon, 1983). This consumption behavior phenomenon emphasizes the psychological impact on individuals' value perception, and can be explained by *social identity theory*, which proposes that an individual will self-categorize in the social environment; and will tend to act in a way that accords with the behavior of the social group with which he or she wishes to be associated (Ashforth & Meal, 1989; Hogg & Terry, 2000; Tajfel & Turner, 1985). According to this theoretical framework, a luxury brand is not just a different symbol, trademark or logo, to help consumers differentiate one brand from another, but is loaded with social and psychological influences that help them define consumers' social roles (Berry, 1994; Holbrook & Hirschman, 1982; Vigneron & Johnson, 2004) and the social groups to which they belong (Bearden & Etzel, 1982; Kim, 1998; Vigneron & Johnson, 1999). Social identity theory further suggests that, when individuals purchase luxury brands, they are directed by the relative roles they play in their social environment. This study thus proposes that, when the luxury-brand consumers of Hong Kong and Shanghai make a 'conspicuous consumption' decision, they are acting in a manner that is congruent with the social group to which they would prefer to belong.

Given the broadly agreed influence of Western culture on Chinese society in general, it is logical to assume that its influence is felt in consumer behavior in the luxury goods market in particular. One of the two cities in the study reported here, the offshore island of Hong Kong is strongly influenced by its Western colonial history. The other, Shanghai, on the Chinese mainland, reflects a more Eastern culture, but both are long-standing trading ports which indicated mixed influences of Eastern and Western culture. The peoples of South-East Asia are in general more collectivist than those in the West due to its family and society orientation. Moreover, the acquisition of luxury brands serves as a demonstrator of individual wealth and social class (Clunas, 1991; Hu, 1944; Lee & Green, 1991). Such possessions are a major contributor to and reflector of an individual's identity Belk (1988), often described as an element of the 'extended-self' because the owners consider them to be a part of who they are (Schiffman & Kanuk, 2000; Zinkhan & Hong, 1991).

METHODOLOGY

Data Collection

A sample of 347 survey respondents was selected on the criteria that they were between 24 and 40 years old, resident in Shanghai or Hong Kong, evinced a strong interest in luxury brands and fashions, and had made luxury goods purchases during the previous year. The survey questionnaires were distributed in the busiest metropolitan areas of Shanghai (Putuo, Huangpu, and Zhabei) and Hong Kong (Kowloon, Northern Hong Kong Island, and Tsuen Wan New Town). The defining characteristics of those locations are: the size of their populations, the fact that they are major metro-cities, and the presence of luxury-brand boutiques, flagship stores, or both. The target consumers in those areas were selected from the frame determined by the research objectives by simple random-number generation (Saunders et al., 2009). To improve the response rate, participants were given reward scheme points for local luxury stores. Snowball sampling was effectively employed to reach the remaining potential respondents (Biernacki & Waldorf, 1981; Faugier & Sargeant, 1997; Kalton & Anderson, 1986). In the event, more than three quarters of the respondents in both samples were female.

Taking into account the potential influence of language and wording on the participants' interpretation of the questions (Aaker, 1997), the

questionnaires were prepared in both English and Mandarin, the former for the minority of respondents who grew up overseas or attended international schools and the latter for the native Chinese participants, not many of whom would be expected to speak English fluently.

Respondents responded to six attitudinal and behavioral statements relating to the concept of the *extended self* (Sivadas & Venkatesh, 1995) using a seven-point Likert scale anchored at 1 = “not at all” and 7 = “to a great extent”. In order to understand the differences between Hong Kong and Shanghai luxury consumer-purchasing behavior at a deeper level, ten further statements and rating scales, used in previous studies to measure *interpersonal influence* and *susceptibility to interpersonal influence* (Bearden et al., 1989) and the relationship between consumers’ sense of their extended self and their personal possessions (Sivadas & Machleit, 1994), were adapted to the Chinese context.

Analysis

The quantitative analysis drew upon procedures for developing scale items proposed by Churchill (1979) and techniques to facilitate the construction of scale items with a relatively high degree of content validity suggested by Moore and Benbasat (1991). This section identifies and formalizes the variables perceived to be relevant to consumer-purchasing behavior with respect to luxury goods.

Factor analysis of the validity of the measuring instruments refined and reduced the original items to coherent subscales. Exploratory factor analysis with principal component extraction and varimax rotation was undertaken to categorize the variables into underlying dimensions. The criteria for significance of factor loadings were set at 0.30, the Kaiser–Meyer–Olkin (KMO) value at greater than 0.80, and the Bartlett’s test of sphericity at the 0.00 level (Hair et al., 2006). Preliminary examination found a range of KMO values from 0.766 to 0.851 and a test of sphericity significant at the 0.00 level. These statistics demonstrate the established results of the matrices being measured. On inspection, four items were deleted due to high cross loadings: that is, to ensure that an item is appropriate if it exhibits cross-loading in a matrix of regression-like values indicating the composition of the manifest variable with the factors involved. Two measurement items were deleted from the *consumer susceptibility* scale: “I achieve a sense of belonging by purchasing the same products and brands that others purchase” and “I often identify with

other people by purchasing the same products and brands they purchase". A final exploratory factor analysis was carried out with the surviving 16 items. After deleting two cross-loading items, a significant two-dimension structure emerged, comprising Socially-Oriented Consumer Susceptibility and Information-Oriented Consumer Susceptibility.

Cross-tabulation analysis was applied to the assessment of significant differences between the pair of variables. This test produced the associated statistical hypothesis tests of degrees of freedom (df) and the asymptotic significance value (2-tailed value). Of the 347 participants who completed the survey questionnaire, 170 were resident in Shanghai and 177 in Hong Kong. Though one in four of the respondents in both cities earned no more than the average salary, they were nevertheless keen to purchase luxury goods.

Results

Tables 11.1 and 11.2 show the factor structure and summarize empirical results and variable groups tested by the Kaiser–Meyer–Olkin measure of sampling adequacy (KMO), Bartlett's Test of Sphericity, and the Total Variance Explained cumulative percentages. The statistics fully support and validate the strength of the data when the range of KMO is between 0 and 1 (Kaiser, 1974), with 0.6 as the minimum value for a good factor analysis (Tabachnick & Fidell, 2007). The validated results show that the factors *extended self*, *socially-oriented consumer susceptibility to interpersonal influence*, and *information-oriented consumer susceptibility to interpersonal influence* can be deemed adequate on the basis of (a) communalities greater than 0.30, ranging from 0.417 to 0.804, (b) eigenvalues greater than 1, (c) the explanation of variance amount, and (d) high factor loadings indicative of a well-defined structure and the construct validity of all measuring items and scales.

Furthermore, inter-city factors are critical in explaining the conspicuous consumption of luxury brands. In the extended self scale measure, the differences are significant for two of the six statements. This suggests that there are no significant differences between the self-identity of individual luxury consumers in Shanghai and Hong Kong with regard to their luxury consumption behavior. However, in the case of the consumer susceptibility to interpersonal influence—socially-oriented dimension test, the measures for five out of six statements are statistically significant. This suggests that there are differences and strong associations between

Table 11.1 Factor structure and empirical results for extended self

| <i>Extended self</i> | <i>Mean</i> | <i>SD</i> | <i>Extended self</i> | <i>Com</i> | $\chi^2 < \alpha$ (<i>Hong Kong vs. Shanghai</i>) | |
|---|-------------|-----------|----------------------|------------|--|---|
| My luxury goods help achieve the identity I want to have | 4.02 | 1.57 | 0.80 | 0.42 | 0.006 | * |
| My luxury goods help me narrow the gap between what I am and what I try to be | 3.75 | 1.43 | 0.79 | 0.64 | 0.026 | * |
| My luxury goods are central to my identity | 3.44 | 1.61 | 0.79 | 0.56 | 0.090 | |
| My luxury goods are part of who I am | 3.39 | 1.46 | 0.77 | 0.59 | 0.218 | |
| If my luxury goods are stolen from me I will feel as if my identity has been snatched from me | 2.95 | 1.51 | 0.75 | 0.62 | 0.312 | |
| I derive some of my identity from my luxury goods | 3.55 | 1.42 | 0.65 | 0.62 | 0.347 | |

Notes *Denotes a statistically significant difference between Hong Kong and Shanghai respondents
 Kaiser–Meyer–Olkin Measure of Sampling Adequacy = 0.766
 Eigenvalue = 3.449, Variance = 57.48%
 Bartlett's Test of Sphericity approximate $\chi^2 = 974.069$
 Df 15; Sig 0.000
 Com = commonalities

luxury consumers in both Shanghai and Hong Kong with regard to the consumption of luxury goods as a means of conforming to expectations within their social environment and in the groups to which they belong. For the consumer susceptibility to interpersonal influence—information-oriented dimension test, results for two of the four statements are statistically significant, confirming that purchasers of luxury brands are strongly influenced by the knowledge they have acquired during the decision-making process.

Table 11.2 Factor structure and empirical results for consumer susceptibility influence

| | <i>Mean</i> | <i>SD</i> | <i>Socially-oriented</i> | <i>Information-oriented</i> | <i>Com</i> | $\chi^2 < \alpha$ (<i>Hong Kong vs. Shanghai</i>) | |
|---|-------------|-----------|--------------------------|-----------------------------|------------|--|---|
| <i>Socially-oriented consumer susceptibility to interpersonal influence</i> | | | | | | | |
| I like to know what brands and products make good impressions on others | 3.02 | 1.72 | 0.93 | – | 0.80 | 0.045 | * |
| It is important that others like the products and brands I buy | 3.37 | 1.78 | 0.90 | – | 0.73 | 0.000 | * |
| When buying products, I generally purchase those brands that I think others will approve of | 3.15 | 1.50 | 0.84 | – | 0.67 | 0.015 | * |
| I frequently gather information from friends or family about a product before I buy | 3.38 | 1.79 | 0.81 | – | 0.79 | 0.003 | * |

(continued)

Table 11.2 (continued)

| | <i>Mean</i> | <i>SD</i> | <i>Socially-oriented</i> | <i>Information-oriented</i> | <i>Com</i> | $\chi^2 < \alpha$ (<i>Hong Kong vs. Shanghai</i>) |
|---|-------------|-----------|--------------------------|-----------------------------|------------|--|
| If I have little experience with a product, I often ask my friends about the product | 3.67 | 1.60 | 0.70 | – | 0.73 | 0.002 * |
| I rarely purchase the latest fashion styles until I am sure my friends approve of them | 3.88 | 1.79 | 0.50 | – | 0.32 | 0.069 |
| <i>Information-oriented consumer susceptibility to interpersonal influence</i> | | | | | | |
| If other people can see me using a product, I often purchase the brand they expect me to buy | 3.95 | 1.45 | – | 0.93 | 0.77 | 0.020 * |
| To make sure I buy the right product or brand, I often observe what others are buying and using | 4.40 | 1.68 | – | 0.82 | 0.72 | 0.007 * |

(continued)

Table 11.2 (continued)

| | <i>Mean</i> | <i>SD</i> | <i>Socially-oriented</i> | <i>Information-oriented</i> | <i>Com</i> | $\chi^2 < \alpha$ (<i>Hong Kong vs. Shanghai</i>) |
|---|-------------|-----------|--------------------------|-----------------------------|------------|--|
| If I want to be like someone, I often try to buy the same brands that they buy | 3.87 | 1.77 | – | 0.69 | 0.56 | 0.400 |
| I often consult other people to help choose the best alternative available from a product class | 4.04 | 1.72 | – | 0.66 | 0.61 | 0.166 |

Notes *Denotes a statistically significant difference between Hong Kong and Shanghai respondents
 Kaiser–Meyer–Olkin Measure of Sampling Adequacy = 0.796
 Eigenvalue = 1.740, Variance = 66.94%
 Bartlett’s Test of Sphericity approximate $\chi^2 = 2164.708$
 Df 45; Sig 0.000
 Com = commonalities

DISCUSSION

The findings of the analyses reported in the previous section show that consumers of luxury brands in Shanghai and Hong Kong share an identical enthusiasm for luxury goods, but with significant differences in the detail of their consumption behavior. The interpretation of those differences is informed by insights from a social identity theory, with the following findings of Shanghainese and Hongkongers.

The Similarity and Difference & Similarity of Shanghainese & Hongkongers

| | <i>Shanghainese</i> | <i>Hongkongers</i> |
|---------------------------|--|--|
| Luxury-brand goods | Sharing identical enthusiasm for luxury (Reason: Both cities are influenced by oriental culture [e.g., social expectation, cultural effect and family stimulus]) | |
| Extended self | Shanghainese has higher usage of luxury brand to demonstrate their social identity which highlights the important value of face consciousness. Face value has been played an influential role in Eastern culture; particularly in Chinese culture | Although Hongkongers have similar level of passion toward luxury goods, they are more independent than Shanghainese. Furthermore, the collectivism is still playing a big role to influence consumers' decision-making process and purchase intention. Even Hong Kong has been re-adopted Oriental culture since 1997, the findings still show the majority of Hongkongers are more likely to be individualists these are very different from Mainland China and other oriental counties |
| Necessity of luxury goods | 'Have to' In Southeast Asia, collectivism is widely adopted by consumers; particularly Chinese-oriented regions. Many individuals will change their preferences and purchasing intention to get accepted by the society or peers | 'Want to' As individualism has been formed firmly in the society which helps to shape consumers' behaviors and influence purchasing intentions |
| Social comparison | Following the trends Shanghainese are most likely following the trend either socially or peers' influences. Though most customers are intended to find new identities, Chinese-oriented regions have been heavily influenced by collectivism | Ownership Enjoying the ownership as Hongkongers express themselves and enjoy the experience of purchasing independently |

Luxury consumers in both cities exhibit the same attitudes toward the possession of a luxury-branded product as an expression of the extended self, but those residing in Shanghai place more emphasis on the use of luxury brands to demonstrate their social identity, evidently on account of the importance of the oriental concept of 'face' and cultural expectations in their relationship with the social groups to which they aspire to

belong. Redding and Ng (1983) describe 'face' as representing the social perceptions of personal identity, which is particularly salient in Eastern cultures and can help explain individual behavior in those societies, while Oyserman et al. (2002) define it simply as a reflection of the collectivist society of Chinese culture. Yau (1986) notes that consumers in Eastern cultures face pressure to conform from members of their social network and therefore focus heavily on the public meanings of their conspicuous consumption rather than on the hedonic experience itself.

Although both Hong Kong and Shanghai are deeply influenced by oriental traditional and developed as port cities trading with the West in the nineteenth century, the social environment of the former, which was a British Crown Colony between 1842 and 1997, is more Western than that of the latter, which remained Chinese throughout its history (except for Japanese occupation from 1937 to 1945). The Westernized culture of Hong Kong, deriving from its location and history, is a key determinant of the consumption behavior of its contemporary citizens. Wong and Ahuvia (1998) explain that Westerners tend to consume luxury conspicuously because they 'want to' whereas their Far Eastern counterparts do so because they 'have to', a distinction clearly exhibited in the purchasing tendencies of luxury consumers in Shanghai and Hong Kong.

Festinger (1954) defined 'social comparison' by individuals as the process of evaluating their own opinions and ability by comparing them with perceived external norms and images. Bearden and Rose (1990) suggest people who are more sensitive to social comparisons are more likely to comply with pressure exerted by a reference group and consequently tend to seek the opinions of others before making a consumption decision. Thus, it is unsurprising to discover that luxury consumers in Hong Kong are more likely than those in Shanghai to express themselves and enjoy the individual experience of purchasing and consuming luxury-branded products. Those results are consistent with the findings of a study of Western consumption behavior by O'Shaughnessy and O'Shaughnessy (2002), it underlines the Western cultural has influenced on Hong Kong consumers' behavior due to its historical background (e.g., Hong Kong as British Crown Colony). In contrast, consumers in Shanghai, despite its long trading links with the West, are more likely to follow the fashion trends and advice of their friends and family before purchasing luxury-brand products. This finding reinforces those of other studies, some showing that individuals in the Asia-Pacific region also use luxury brands

to express their individual wealth and social class (Clunas, 1991; Hu, 1944; Lee & Green, 1991).

CONCLUSIONS

Social identity theory was adopted as the theoretical framework to investigate and interpret the participants' responses as luxury consumers. The results of analysis of their responses suggest that individuals can be highly influenced by social identity within their regional culture and social environment. In the research study reported here, consumers in Hong Kong and Shanghai share very similar oriental cultures but different social environments and family values have a strong influence on their consumption choices. The results of analysis of the extended self of the respondents implies that luxury consumers in both cities believe that *social status* and positive *self-image* can be achieved through conspicuous consumption. However, Shanghai's luxury consumers are found to be more collectivist than their Hong Kong counterparts. The latter are more sensitive about the acceptability of their social identities, while the former may be persuaded more strongly by others, using luxury brands to enhance their self-image and thereby increase their status in society.

FUTURE RESEARCH DIRECTIONS

Whereas 'luxury' was once reserved for the wealthy, it has recently become more accessible to all classes of consumer (Silverstein & Fiske, 2003). More brands are pursuing luxury status successfully and more people can now afford to purchase them. Consequently, the nature of the luxury market is changing, which makes it difficult for luxury-brand owners to formulate a common marketing strategy for all segments of the luxury market.

Counterfeiting is one characteristic of the worldwide luxury goods market which, by virtue of the challenges it poses for marketers of bona fide brands, has become a topic of considerable interests to scholars and practitioners, and merits further research in future. Counterfeit products damage a brand's reputation and the relationship between luxury retailers and their customers while the well-recognized existence of widespread counterfeiting significantly influences consumers' purchasing decisions in uncertain ways.

As discussed earlier, luxury brands are perceived as a symbol or message relating to the user's social status and wealth on the basis of their perceived value. Status goods are bought not only by consumers with the wealth to acquire them but also by ordinary consumers in pursuit of an image of wealth. It is thus important to explore the relationships between counterfeit luxury goods and the identity that has been created, so that luxury-brand owners can engage consumers who formerly purchased counterfeit luxury brands simply by providing what they want.

Second, further segmentation of the luxury consumer market is required, on the basis of variations among generations and genders. As most global luxury brands have responded to the strong demand by establishing retail outlets in the Chinese market of more than 1.3 billion potential customers, the learning curve has been steep. Furthermore, the luxury consumer segment has been transformed rapidly in the past 10 years due to the types of the luxury (e.g., loud, quiet, premium, and affordable luxury goods such as accessories or stationaries). These changes have indicated that many luxury brands (e.g., Gucci, Louis Vuitton, Chanel and Cartier...etc.) intend to expand its competitiveness and market shares by offering new product range and affordable luxuries allowing more middle-class consumers to make luxury purchases or potentially adopt luxury lifestyle.

Furthermore, global luxury brands now need to distinguish and accommodate market characteristics at the micro level, which in turn demand further investigation of consumers' lifestyles and individual backgrounds. Lu (2008) argues that buyers of luxury brands in China are conspicuous consumers and that the social recognition offered by the brand is its most important attribute from their point of view. Hung et al. (2011) suggest that 'achievement vanity' plays a significant role in purchase decisions, as a means of displaying the success and social status of the purchaser. It is thus important to investigate the information about a luxury brand's performance and quality, which tells potential purchasers about the wealth and superior social status associated with it. The open-ended questioning phase of the research study reported here shows that 'luxury knowledge' is an essential prerequisite for brand recognition in this market. Luxury-brand owners need to focus on growing that knowledge more effectively, to promote sustainability in the Chinese market. They must furthermore differentiate their brand communications to reflect the regional and metropolitan diversity in the marketplace rather than continuing to treat China as one homogenous

market. Further research is needed to explore the differences in patterns of luxury consumption among the ‘first-tier’ cities studied, urban areas in general, and extra-urban markets.

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The Examination of Customer Relationship Building from an Entrepreneurial Perspective: The Cases of Chinese Taobao Pure-Play E-Retailers

Yiwen Hong and Hsiao-Pei Yang

RESEARCH BACKGROUND

The emergence of internet technologies has changed the way people live and the way that businesses operate. According to the Boston Consultancy Group (BCG), over half of the world's population is now connected to the internet (Dean et al., 2012). Given the rapid growth and widespread use of the internet, a number of opportunities have opened up for individuals, firms, governments and other organisations (Box & West, 2016; Dutta et al., 2015). The fundamental openness of the internet has

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enabled a fast flow of information at a lower cost on a global scale (Box & West, 2016). For firms, this means enhanced opportunities for communicating with customers despite geographical distance, enabling a greater reach of a firm's potential customer base, as well as increasing possibilities for economic growth, productivity and international trade (Box & West, 2016; Dutta et al., 2015).

On a global scale, the internet economy is growing rapidly. More specifically, in China, the world's largest e-commerce market makes up the biggest share (60.8% in 2016) of an increasingly important internet economy (CINI Center, 2016; iResearch, 2017). There is a growing e-commerce market in China, evidenced by the increasing scale of the users and sales on its e-commerce platforms. For instance, on Taobao (one of the biggest third-party e-commerce platforms in China), there is evidence of year-on-year growth in sales since 2011. Indeed, gross merchandising volume was 449 million Chinese RMB for quarter 1 of 2016, an increase of 18% compared to the same quarter of 2015 (The Alibaba Group, 2016). Moreover, there were 423 million active annual buyers on Taobao in March 2016 compared to 350 million in March 2015 (The Alibaba Group, 2016). A number of e-commerce firms emerged alongside the development of the Chinese e-commerce platforms. These platforms (e.g. JD.com, Taobao.com) enable start-up firms which are lacking in resources to form and develop online that would not otherwise be able to do so, as these platforms allow them to start their business with lower costs and technological resources. The high growth of the e-commerce market in China highlights the need to explore this recent phenomenon. More specifically, this research will examine firms' activities and behaviour on Taobao, as a large-scale and rapidly growing e-commerce platform.

In light of this context, there is a need to research how these firms seek and exploit opportunities to develop in this competitive online environment. Entrepreneurship is suggested as an important path for creating superior value in the marketplace (Covin & Miles, 1999) and has different meanings in different contexts (Guillén & Suárez, 2001). At the same time, there is increasing interest in entrepreneurial marketing (EM). Growing numbers of researchers are focusing their efforts upon the interface between entrepreneurship and marketing (Jones & Rowley, 2011; Morris et al., 2002; Morrish et al., 2010). Ismail et al. (2018) emphasise EM as a useful approach to consider in conducting social media marketing.

However, there is a dearth of research investigating the link between entrepreneurship characteristics and firms' online marketing practices. This is particularly relevant in light of the recent e-commerce expansion in China. Meanwhile, the relationship marketing (RM) literature highlights the importance of building customer relationships in order to develop customer loyalty and to retain customers (Harrigan et al., 2012; Shaker & Basem, 2010). E-retailers face particular constraints in building and maintain customer loyalty in the online environment due to the highly competitive nature of the online market, the lack of physical contact between customers and the firm and the customers' increased perceived risk of online purchases (Harris & Goode, 2004).

Therefore, given the rapid developments in internet technologies and e-commerce markets, as well as gaps in the extant literature, there is a need to examine entrepreneurial marketing in the online context. In particular, it is useful to examine the exploitation of e-commerce platform for online customer relationship building by pure-play e-retailers, as online start-ups which operate solely on the Taobao platform, from an entrepreneurial outlook.

Accordingly, the research aim and objectives are as follows:

Aim: To explore the process of entrepreneurial customer relationship building in enhancing the market opportunity-seeking of selected Chinese pure e-retailers.

Objectives

To identify the entrepreneurial characteristics emerged in the process of customer relationship building of the selected pure-play e-retailers on Taobao.

To examine how the identified entrepreneurial characteristics aid the process of online customer relationship building for seeking market opportunities in the specific context of Chinese pure-play e-retailers on Taobao.

LITERATURE REVIEW

It is well-established in the entrepreneurship literature that there is no universal definition of entrepreneurship; instead, there are competing, theoretical approaches of entrepreneurship, all emphasising different aspects of the entrepreneur, entrepreneurial behaviour and entrepreneurial

processes. There are two main schools of thought and research streams in entrepreneurship, which can be both understood in relation to opportunity-seeking.

Firstly, the key role of an entrepreneur is an ‘innovator’ where they initiate and develop new innovations or ‘new combinations’ (Backhaus, 2006). It was considered by Schumpeter that there are five different types of ‘newness’ in innovative entrepreneurial activity (what he called ‘forces of creative destruction’: new goods, new production methods, new markets, new sources of material, new organisations) (Backhaus, 2006; Ripsas, 1998; Van Praag, 2005). Schumpeter emphasised that entrepreneurship only exists when innovation occurs.

The introduction of ‘new combinations’ results in a breaking up of the equilibrium in the economy and causes a process of change to occur. Schumpeter referred to the change enacted as ‘creative destruction’ as innovation replaces the old with the new (De Jong & Marsili, 2010; Roininen & Ylinenpää, 2009). In other words, Schumpeter suggests that entrepreneurs proactively generate opportunities for themselves through breaking the equilibrium. Thus, for Schumpeter, there is an understanding that the seeking and exploiting of opportunities are linked closely to entrepreneurial innovation.

Secondly, according to the Austrian economist Kirzner (1979), the entrepreneurship regards to new opportunity-alert in the market. It is proposed that entrepreneurs need to have ‘alertness’ to perceive opportunities earlier than others which can be subsequently exploited (De Jong & Marsili, 2010). Exploitation of the opportunity is not entrepreneurial itself, however; it is the perception and seeking of the opportunity which defines the role of the entrepreneur for Kirzner. For Kirzner, the entrepreneurship does not necessarily relate to innovation; they simply have to be alert to opportunities earlier than others. Regarding technological development, there is another contrast between Kirzner and Schumpeter. While Schumpeter places great emphasis on the development of new technology, “the Kirznerian entrepreneur operates on opportunities that arise out of new technologies” (Deakins & Freel, 2012: 9). Both Schumpeter’s and Kirzner’s definition of entrepreneurship emphasises the seeking and exploiting of opportunities.

Since the 1990s, there has been increasing interest in the entrepreneurship/marketing interface. The concept of ‘Entrepreneurial Marketing’ (EM) has grown as the significant link between marketing and entrepreneurship has become recognised (Hills & LaForge, 1992;

McGowan & Durkin, 2002; Morris et al., 2002). Ismail et al. (2018) suggest the key elements of EM which are opportunity exploitation, innovation, personal networking and resource leveraging. EM has been defined by Morris et al. (2002: 5) as, “the proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation”. Meanwhile, Kraus et al. (2010) proposed a modified definition of EM as “Entrepreneurial marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders, and that is characterized by innovativeness, risk-taking, proactiveness, and may be performed without resources currently controlled”.

An EM approach to research seeks to gain richer insights into the customers’ emotions and desires, and into understanding the customers’ journey. For instance, Ismail et al. (2018) emphasise the usefulness of social media in conducting two-way communication to build customer relationships and to understand customer needs in order to select the more effective promotional strategies. In EM, the customers play an active role in firms’ marketing decision processes, what EM scholars have referred to as customer ‘intensity’ (Jones & Rowley, 2007; Morris et al., 2002). EM research practices tend to operate outside of the boundaries of formalised marketing research structures, whereby through continual, day-to-day interactions with customers that EM firms accumulate knowledge on the needs and preferences of customers (Sullivan Mort et al., 2012). The EM approach is driven by the need to establish a close, intimate bond with the customer and to establish a relationship with the customer in the long term (Jones & Rowley, 2011). Notably, entrepreneurial marketers intimately involve customers in firms’ marketing strategies through ‘co-creation’, a collaborative and interactive process to develop marketing strategies between the firm and customer (Agrawal & Rahman, 2015; Romero & Molina, 2011).

At the centre of an EM approach is guiding market strategies towards identifying and responding to evolving customers’ needs, notably including perceiving emerging customer bases in new markets or in markets that are going through turbulent change and where the needs are as yet unclear (Kraus et al., 2010; Morris et al., 2002). In other words, entrepreneurial marketing researchers seek to perceive opportunities in changing or emerging markets ahead of others.

Interest has grown in entrepreneurship literature on how and why opportunities emerge in markets, notably the key paper on opportunity-seeking by Shane and Venkataraman (2000). Shane and Venkataraman (2000) engaged in understanding the creation, discovery and exploitation of opportunities. In this research, EM is understood to focus on the ways in which firms are using marketing strategies to exploit opportunities in the market, as suggested by Shane and Venkataraman (2000). As Morris et al. (2002) claim, EM is a form of marketing that is fundamentally opportunity-driven and opportunity-seeking. Thus, this research suggests that EM is closely linked with the entrepreneurial processes of seeking and exploiting opportunities.

Thus, it can be proposed that the EM approach is useful in exploring the processes of opportunity-seeking and exploiting through online customer relationship building. EM theory highlights the importance of entrepreneurial behaviour in firms conducting marketing activities and to the entrepreneur-driven processes of proactive opportunity-seeking and exploiting in the marketing processes. It can be proposed that EM theory includes elements of both entrepreneurship and marketing and builds from these two research bases. The key elements of the EM process include proactiveness, innovativeness, risk-taking, resource leverage, value creation and customer intensity. In this research, while all of these elements are important in the EM process, the pure-play e-retailers' online customer relationship-building process is examined through an entrepreneurial outlook. The focus is placed upon entrepreneurship characteristics and the micro aspects of market opportunity-seeking and exploiting by examining the customer relationship-building process. In doing so, this paper identifies and explores the entrepreneurship characteristics which are important in driving the decision-making processes surrounding online customer relationship building, understood as a process of opportunity development.

The characteristics of entrepreneurs have significant impacts on small business development. It is important to evaluate the role of entrepreneurial characteristics in order to improve understanding of small online business success (Lian & Yen, 2017). The model of Entrepreneurial Orientation (EO), i.e. entrepreneurial characteristics, referring to "the strategy-making processes and styles of firms that engage in entrepreneurial activities", according to Lumpkin and Dess (2001: 429), suggests that there are five dimensions of EO—"autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness". In

the entrepreneurship literature, proactiveness, innovativeness and risk-taking are largely considered to form the key dimensions of firm-level EO (Covin & Slevin, 1989; Lumpkin & Dess, 1996; Miller & Friesen, 1983; Oviatt & McDougall, 2005). Proactiveness, innovativeness and risk-taking are considered as the key entrepreneurial characteristics in EM theory (Hills & LaForge, 1992; McGowan & Durkin, 2002; Morris et al., 2002).

Firstly, proactiveness refers to the ability of the entrepreneur to take the initiative and aggressively respond to market opportunities in a competitive, hostile environment (Lumpkin & Dess, 1996; Miller & Friesen, 1983). Entrepreneurs with proactive tendencies are also more likely to take a forward-looking approach when implementing marketing activity. Entrepreneurship research has indicated proactiveness to be key in the firm's growth stage and in the process of opportunity-seeking (Lumpkin & Dess, 2001). Indeed, it has been identified that firms which are proactive evidence a readiness to grasp opportunities and become market leaders instead of followers, thereby allowing them to build superior market position (Hills et al., 2008; Morris et al., 2002).

Secondly, innovativeness refers to the exploitation of creative ideas or unusual responses to market needs and problems. The innovativeness discussed in the contemporary entrepreneurship literature encompasses both technological and non-technological innovative developments in products, strategies and process. Innovativeness has been identified as a critical element in firm's development (Hills et al., 2010; Lumpkin & Dess, 1996; Morris et al., 2002). In order to build superior value and competitive advantage in the marketplace, it is suggested that firms innovatively develop products and marketing strategies (Covin & Miles, 1999; Jones & Rowley, 2011). Creative development of products or business strategies can enable firms to cater for customers' needs (McGowan & Durkin, 2002).

Thirdly, risk-taking refers to a willingness to commit firms' resources towards new opportunities in the market when the outcomes are uncertain (Lumpkin & Dess, 1996; Miller & Friesen, 1983). There is always uncertainty and risk involved when firms aim to gain entry to a new market (Lumpkin & Dess, 1996). It is argued that entrepreneurs engaging in e-commerce may need to take higher risks, considering the unpredictable, uncertain and rapidly changing nature of the e-commerce market (Ensley et al., 2006). Mostafa et al. (2005) proposed that managers who were risk-seeking were more likely to exploit opportunities provided by the internet.

The importance of building relationships with customers for firms' long-term sustainability and profitability is emphasised in the relationship literature (Grönroos, 1994; Ismail, 2009). Here, it is asserted that firms can develop bonds with customers in two key ways: customer engagement and building customer intimacy (Sashi, 2012). The literature also proposes that the development of the internet, and particularly social media, facilitates closer, and more frequent interactions between firm and customer (Heller Baird & Parasnis, 2011; Merrilees, 2016; Sheth & Parvatlyar, 1995).

However, online retailers face significant challenges in building and maintaining customer relationships and in ultimately achieving customer loyalty. There are particular constraints for e-retailers in customer relationship building given the highly competitive nature of the online market and the rising number of emerging online firms, as well as the ease with which customers can switch suppliers online (Harris & Goode, 2004). It is highly important for e-retailers to focus on customer relationship building and to understand how to develop brand loyalty in order to foster repeat purchases and long-term growth (Goode & Harris, 2007; Wang et al., 2000).

However, despite such extensive research on the nature of building customer relationships, it is under-researched how entrepreneurship characteristics may impact upon relationship-building processes, particularly in the context of online retailers. Pouria Nouri et al. (2018) emphasised that there are some significant positive outcomes of the entrepreneur's decision-making biases in developing innovation and in responding to the competitive environment. Additionally, Lian and Yen (2017) suggest that the extant literature on the entrepreneurship of traditional businesses is not sufficient to understand entrepreneurial behaviour in the online context.

Yong and Hassan (2019) argue that entrepreneurial success can be enhanced by implementing social media marketing and that an entrepreneurial outlook aids the selection of more effective social media platforms. Glavas and Mathews (2014) examined the role of entrepreneurship characteristics in enabling perceiving opportunities that emerge from the internet technology development and in developing new products and software to meet customers' needs. Meanwhile, there is some research which focuses on investigating the adoption of internet technology for developing e-business innovations, considering

entrepreneurship as an Information Communication Technology (ICT)-enabled business venture (Childers & Offstein, 2007; Effah, 2016; Fillis et al., 2004; Mazzarol, 2015). However, there is a need to examine ICT-enabled marketing strategies from an entrepreneurial perspective in order to improve understanding of firms' processes of opportunity-seeking and exploiting.

Thus, there is a gap evident in extant EM and RM research, concerning how entrepreneurship characteristics impact upon the adoption and exploitation of the internet in building customer relationships. As a result, following the research of Shane and Venkataraman (2000), this research is interested in examining how Chinese e-retailers seek, create and exploit opportunities in the process of customer relationship building in the rapidly developing online e-commerce environment in China. More specifically, this research builds upon extant entrepreneurship, EM and relationship marketing literature (see Fig. 12.1). It explores how entrepreneurship characteristics emerged and are reflected in the process of online customer relationship building in order to understand the relationship between the entrepreneurial development process and the evolving Chinese e-commerce environment. The entrepreneurship in this research can be regarded as both individual level and firm level. The individual-level entrepreneurship relates to the individual founder/manager of the e-retailer who has entrepreneurial behaviour as discussed above. Firm-level entrepreneurship refers to the ways in which firms behave entrepreneurially (Covin & Slevin, 1991; Miller, 2011; Zahra, 1993).



Fig. 12.1 The conceptual framework

METHODS

Drawing from Stake's (1995) qualitative approach, this research adopts a case study design. A multiple case study approach was selected, as there is exploration of a phenomenon which is complex and where current theories are inadequate, considering the limited research on this topic, as highlighted in the above literature review. Such an approach is suitable in answering *how the Chinese e-retailers exploit opportunities in the process of customer relationship building* and *why they do so in the Chinese online environment*. A case study approach can allow the researcher to access richer, more in-depth and detailed data, supported by a number of Entrepreneurial Marketing researchers who have made use of multiple case study approach to examine the entrepreneurial process (Glavas & Mathews, 2014; Jones et al., 2013; Sullivan Mort et al., 2012).

Case studies were selected using specific sampling criteria, where the firms needed to be: (1) Based in Mainland China, (2) Over 3 years old as a company on Taobao platform, (3) a Small-Medium Enterprise (SME) which has less than 249 employees (Loecher, 2000), (4) a 'pure-play' e-retailer: a cyber-start-up with solely an online presence (Ashworth et al., 2006), and (5) an own-label brand in the fashion industry (See Appendix for a contextual background of the cases). This research made use of qualitative, in-depth interviews as its primary data collection tool.

In November 2015, 20 interviews in total were carried out with entrepreneurs of Chinese pure-play enterprises in the fashion industry. Entrepreneurs were asked out about how the firms used the Taobao platform and social media for customer relationship building in their everyday practices and how they seek and exploit opportunity in the Chinese e-commerce market. Staff members of the firms were also interviewed about these topics as a way of triangulating the findings. Observations of the firms' online marketing activities were also carried out as a supplementary method, in order to gather further details and examples, as well as to verify the findings from the interviews and to provide a broader overview of the firms' profiles.

FINDINGS

Forward-Looking Customer Relationship Building

The findings of this research strongly emphasise the importance of long-term customers' retention for seeking and exploiting opportunities in the Chinese online environment for e-retailers. Building customer relationships in the long term makes the firms more likely to retain customers (Berry, 1995; Naumann & Bowden, 2015). More specifically, the findings emphasise the importance of the entrepreneur's long-term perspective, in order to maximise the retention of customers and to build customer assets for the firms to seek more opportunities for brand's long-term development. For instance, the entrepreneur in Case X (see the box below for the contextual background of Case X) asserted that:

If you do lots of marketing, lots of advertisements, lots of promotional events, lots of customers may purchase on your website, but if you can't 'deposit' them, then your firm won't have a future. We use social media to interact with them. The aim is to keep them, 'deposit' them, if you have 'precipitated', you have a future.

The entrepreneur used the word "deposit" in reference to maintain the customer base, Firms in this research indicated that they built and maintained their customer assets in the same way that people deposit money and that the amount increases incrementally. This process normally requires a long-term oriented form of customer interaction. In these findings, most entrepreneurs use both the internal platform (Taobao, the third-party e-commerce platform where they are operating their online store) and social media as a platform to develop their brand in the long term, instead of only using the internal platform to simply increase traffic and sales.

Thus, the entrepreneur perceives the future benefits that they may receive through close customer interaction on the Taobao platform and social media account for maintaining customers in the long term, rather than focusing solely on the short-term gains from increasing sales. The research highlights the forward-looking perspective associated with perceiving the benefits that arise from long-term customer interaction. As well as this, the entrepreneur's long-term perspective was highlighted as

being significant in exploiting resources for carrying out long-term operations. Thus, the research suggests that entrepreneur's long-term perspective is important in delivering customer relationship-building strategies in the context of pure-play e-retailers.

However, an entrepreneurial long-term perspective is not sufficiently recognised for exploiting the opportunity in the extant entrepreneurship literature, although proactiveness is seen to suggest a forward-looking perspective (Glavas & Mathews, 2014; Lumpkin & Dess, 2001; Wiklund & Shepherd, 2005). Thus, the entrepreneur's long-term perspective can help the firm exploit opportunities by building customer relationships in the competitive online environment, where it is difficult to establish trust.

Diversified and Creative Promotional Strategies

While the firms aim to build and maintain relationships with existing customers in the long term, they still pay attention to attract new customers to aid long-term relationship development through diversified online promotions. This approach is utilised to increase the opportunities for enlarging the customer base and for improving the performance of customer relationship-building strategies. As with the innovative development of products, creative marketing strategies can allow firms to stand out in the market and to build superior market value (Covin & Miles, 1999; Jones & Rowley, 2011; Morris et al., 2002). In this research, the importance of conducting diversified forms of promotions through social media and the third-party platform was strongly highlighted. The diversified promotions were highlighted as important to enhance customer interactions and contribute to customer relationship building. Indeed, the staff member in Case V (see the box below for the contextual background of Case V) asserted that:

Actually, e-commerce is like that, you need to make different promotional events, even though the nature of the events is similar, to keep the customers interested.

Case V, as a top men's clothing brand (according to the sales) in the Taobao platform, make this statement based on their four years e-retailing operation experience in the platform. However, these events may not be always original and innovative, as Chinese e-commerce firms may join the

changing diversified promotional campaigns which are organised by the Taobao platform to increase the traffic. The Taobao platform will organise and promote different promotional events in different periods of the year, which can be considered as marketing trends on the platform from which e-retailers can seek opportunities through taking part in these events to attract customers to improve the online visiting traffic.

These diversified promotions are evidenced by the firms' engagement with online promotional marketing, pre-sales events, collaborative promotions and E-portfolio-based segmented marketing. While the fundamental aims of the promotional events are similar, these are conducted in different ways to maintain customer engagement and interest. These promotional events are carried out in order to attract new customers to try the brand, as well as to enhance interaction with customers. The findings indicate a tendency for the entrepreneurs in this context to adopt creative and diversified promotional strategies in the process of long-term customer relationship building in seeking opportunities. The importance of diversified and creative promotional events is highlighted for this competitive e-commerce environment in which imitation is common and in which each brand needs to stand out from its competitors. As Rafiq et al. (2013) highlight, the nature of the online environment is competitive and there are increasing numbers of e-retailers.

This research suggests that the e-retailers need to continue developing innovative customer interaction techniques in the open online environment in order to differentiate themselves from other competitors while the marketing ideas are easily informed and imitated by other e-retailers. As some diversified marketing campaigns are led by the Taobao platform, the firms need to adapt their marketing strategies and differentiate themselves while other e-retailers on the platform are adopting the same promotional practice. The diversified promotional events increase the opportunity to attract customers and to interact with them in order to develop customer relationships and to build initial trust with the customers.

Online Co-creation Campaigns with Multiple Functions

Co-creation was identified as an important form of interaction which was adopted by selected e-retailers and which contributed to long-term relationship building. Co-creation was adopted by the cases as an important way of spreading brand awareness to attract new customers

and to interact with existing customers which can aid the long-term customer relationship-building processes. Co-creation is an important EM approach for opportunity-seeking as it ‘co-creates’ the opportunity for the e-retailers to improve customer insights and to spread brand awareness. Co-creation needs to be innovatively conducted by the firm through considering the specific features of online environment in order to perform multiple functions. Co-creation can be regarded as a highly important customer interaction practice in maintaining relationships with existing customers.

Co-creation was highlighted by the majority of cases in this research. In these findings, it was identified that customers contribute ideas to the firms which can influence their product development and marketing strategies, incentivised to do so through the use of rewards, aligning with the literature on co-creation (Jaakkola & Alexander, 2014; Merrilees, 2016). As described by Jaakkola and Alexander (2014), these selected Chinese e-retailers used customer engagement to incentivise customers to get involved in co-creation activities on the Taobao platform.

In the findings, the entrepreneurs conduct the co-creation event with some creative ideas to as a way of attracting new customers and engaging with existing customers. For instance, Case X was found to have innovative ways of engaging customers to design their slogan. The customers were also encouraged to spread awareness of their brand via events on social media which empowers the customers and incentivises their engagement in co-creation. Indeed, the entrepreneur in Case X explained:

We expect the customers to tell us what is this brand about. We want to use the customers’ power to spread the concept of the brand because we know that the brand is about vintage men’s shoes but I don’t want this concept to be spread by myself. I hope that this concept is spread by my customers. The customers would know more about the brand’s story and through this, they can give us some ideas...I hope they could give one slogan for that and then we would give a good reward for them...So, the slogan of my brand is not just from the top management team, it is also from customers.

This kind of marketing strategy is also creative, as it incentivises customers, rather than the firm itself, to spread brand awareness through e-word-of-mouth. It was suggested that the customers were empowered to promote the brand and give meaning to the brand. Case X’s

co-creation strategy displays elements of both the ‘customer-driving’ approach and ‘customer-centric’ approach, proposed by Merrilees (2016): ‘customer-driving’ strategy in that they are engaging the customers in co-creating their new brand slogan and ‘customer-centric’ strategy in that the results of the co-creation event will give the firm a greater insight into their customers’ needs when designing future products and marketing ideas. The balance of these strategies by Case X aligns with findings from the other cases.

Case X’s marketing strategy is influenced by the background context of the firm. As this brand was founded in 2009, they are older than the other cases examined, and therefore have more experience with these kinds of events. Case X has had more opportunities to see what will be more engaging or interesting for the customers. Although Case X has a long-term vision for the brand to expand, they lack the resources to implement social media communication (i.e. an expert in this area), and so are focusing greater efforts on brand events on the Taobao platform currently to increase the brand expansion. Therefore, it is a combination of entrepreneur’s characteristics, such as experience and resources, which can be useful when considering carrying out marketing events.

In these findings, the link between the entrepreneur’s innovativeness and co-creation is identified to be two-way, as co-creation is likely to lead to more innovative outcomes: both creative product design and creative marketing strategies. This process is aided by the firm’s high levels of innovativeness in conducting the attractive co-creation event, leading to high level of engagement, and also requires the open-mindedness of entrepreneur when accepting new ideas for future business activity from customers. Therefore, it is important to take into account the entrepreneur’s innovative outlook when researching firm’s co-creation strategies and the implications of this. In the online environment, where high levels of innovativeness is required in aiding the design of marketing strategies, it is important to generate a creative environment, where, even if the entrepreneur is not naturally creative, their open-mindedness can encourage innovative ideas from staff members and customers.

Co-creation increases the opportunity for developing innovative ideas. The co-creation ideas did not originally emerge in the online environment but align with off-line marketing practices as suggested by Merrilees (2016). However, Case X conducts their co-creation ideas while taking into account the nature of the online environment. Case X use the co-creation event to spread their brand awareness considering the fast

dissemination of online communication and the open nature of the online environment. This co-creation event is not simply focusing on co-creating with customers for seeking innovative ideas. It is designed to increase interaction with customers and to attract new customers. Therefore, these findings suggest that co-creation can be used as a method to improve customer intimacy in the online environment. The e-commerce platform should not be simply considered as a channel for converting off-line traditional marketing practices; instead, the features of the online environment, the internet technology and e-commerce platform should be all taken into account when designing online marketing strategies. Co-creation is an important EM approach (Agrawal & Rahman, 2015; Romero & Molina, 2011). These findings highlight that co-creation can be carried out innovatively for multiple purposes in order to seek further market opportunities.

Innovation of E-Commerce Applications and Innovation of Online Marketing

This research examines the process of conducting entrepreneurial customer relationship-building strategies considering the evolving online environment. In the process of long-term customer relationship building, it is necessary to continually innovate the marketing strategies and to update these in line with e-commerce application developments. The cases were indicated to innovatively apply the new e-commerce applications (e.g. social media updated functions) to conduct more effective and diversified marketing communication practices. The innovation of technology enables the innovation of marketing communication strategies. In these findings, the entrepreneurial marketing practices emerged with the developments of e-commerce applications and entrepreneurial perspective. It requires an entrepreneurial outlook to perceive and exploit the market opportunities from the technological innovation. In these findings, the firms innovatively exploit new functions on social media to market its products and to communicate with customers, in order to maximise the performance of their marketing strategies. For instance, Case M (see the box below for the contextual background of Case M), as a blogger store, used live video as a new function on social media for communicating with customers and introducing its products, as the staff member explained:

She is willing to accept some new ideas. Just like now that there is a new function on Wechat where you can share videos and she has already started to think that we can use video to introduce our products but she wants to do something that is different to other firms. The video she made for introducing the products is not like an advertisement, it's like having a conversation with a friend.

Here, it can be identified that such an innovative outlook aids the proactive, long-term approach to customer relationship building for Case M. If the entrepreneur has high levels of innovativeness, they are more likely to communicate with the customers in a creative way. For Case M, more creative communication facilitated greater brand engagement with customers, meaning that customers are more likely to stay with the firm in the long term, as they will feel closer to them. The e-retailers need to keep seeking for more effective ways of customer communications. Both Cases M and Q (see the box below for the contextual background of Case Q) indicated the use of innovative forms of customer engagement via different social media as a way of maintaining and expanding their customer base. As they are both small companies and do not have resources to invest in large-scale traffic promotions, they need to use more creative ways to attract new customers through social media.

This reflects an innovation of marketing communication in the way that the entrepreneur was inspired by external developments in social media technology to implement a creative way of promoting products. Indeed, the firm is taking advantage of emerging technology by applying this to their own business needs. They are not developing this technology themselves but using technology that has been developed elsewhere in order to enhance customer communication.

Therefore, these findings highlight that the entrepreneur needs to be aware of the changes and developments in technology and have a proactive perspective to perceive the marketing opportunities from these developments and quickly make appropriate marketing strategies to exploit the opportunities from these developments. More specifically, the firms need to create new marketing strategies and events through using new social media functions (e.g. live videos) when promoting products and interacting with customers. As the online environment is continually changing, the firms need to combine the innovation of e-commerce applications with traditional marketing ideas in the development of new online marketing campaigns. The marketing campaigns need to keep

up-to-date with the e-commerce environmental changes. The changes include upgrades in the e-commerce application technologies and changes in online customer behaviour, including the shopping preferences of the online platform, preferences in online communication and social media habits.

The fast development of the e-commerce applications and the open nature of the online environment informs the homogenous and competitive environment. Rather than simply following how other firms apply the new e-commerce applications to develop their marketing strategy, the e-retailer needs to develop their own marketing strategies considering their own needs and resources, e.g. the entrepreneur's own expertise knowledge. Therefore, the entrepreneur needs to be able to proactively predict the developing trends for innovatively developing marketing strategies in order to exploit the opportunities and to expand their customers base through developing innovative forms of marketing communications based on their own resources and needs.

Building Customer Intimacy Through Authentic Customer Conversations

The firms in this research were indicated to build customer intimacy through conversing with customers in an authentic way that is human, everyday and unscripted. Building customer intimacy was indicated to be an important form of developing long-term customer relationship and as a way of building and maintaining trust with customers. Trust building and maintaining is understood to be important for developing relationships between e-retailers and customers (Grabner-Kräuter & Kaluscha, 2003; Schoenbachler & Gordon, 2002; Yoon, 2002). In this research, all cases indicated that they aim to engage customers in an intimate form of interaction. Here, the firm's aim is to build closer relationships with the customers, by treating them more as a friend than a buyer. As has been established in the EM literature (Sullivan Mort et al., 2012), this is a customer-focused approach to marketing. In this research, the form of customer relationship building focuses on conversing regularly with customers in a casual, informal interaction via social media which can be differentiated with other research that highlights the use of customised service and products in building customer intimacy (Treacy & Wiersema, 1993; Sullivan Mort et al., 2012).

Case Q indicated that they regularly carried out ‘soft advertising’ on their social media platform. This is where the firm does not simply post promotional information on social media, but is more likely to share non-promotional information. Here, the entrepreneur often communicates aspects of their personal life to the customers, while also subtly promoting the firm’s products. In this way, Case Q’s customers may begin to check the brand’s social media pages for non-promotional updates (i.e. for hearing about the entrepreneur’s personal life), rather than necessarily for purchasing anything. For instance, the staff member in Case Q described their boss’s engagement with social media:

...she [the entrepreneur of Case Q] won’t just post some promotional information, it is like a real personal account, she will share updates on her real life, just like the customer’s friend. So, the customer would know her more...and would trust her more in this way...The customer can feel closer to the firm. So, the relationship between firm and customer is more like buying clothes from a friend...

The entrepreneur in Case Q is in charge of operating the social media page. Here, the entrepreneur can generate an image of herself, which represents the brand’s image, and share her fashion sense with customers on the social media platform. In this way, the customers can get to know and trust the brand more through her updates on social media pages, as the entrepreneur herself is in charge of the firm. Thus, the entrepreneur’s fashion sense is important as an ability to select and share effective fashion information to offer to customers, particularly important in the context of Case Q, a female fashion brand. In such a way, this entrepreneurial process can reduce the perceived risk of purchasing from their brand by highlighting tangible evidence of reliability in terms of fashion sense, quality control or the responsibility ethics of their organisation. The building of trust is of even greater importance in the online environment for customers purchasing products, due to the lack of physical contact with online firms and the increased perceived risk of online purchases (Harris & Goode, 2004).

These findings highlight the benefit of the entrepreneur herself operating the social media page, as they can build their own personal brand and link it with their e-retailer brand. The entrepreneur can also get to know the customers better in the process of interacting with them,

allowing them to develop better knowledge of the market and innovative ideas to aid business operations. For example, the entrepreneur in Case Q said,

I like to write the post on Weibo by myself, as I know my customers and I know better what they want than my staff members...lots of my customers have been followed my account for years, they more likely to engage with my on my personal social media account rather than the official page my social media executive staff operates.

The entrepreneur in Case Q works on customer relationship building on a day-to-day basis, in order to make a personal connection with the customers, or more than that, build knowledge of customers to aid their proactive perspective and to perceive customers' needs. The intimate forms of customer communication practised by Case Q are linked to the development of long-term customer relationships, as part of a forward-looking, brand-building process. Customer intimacy building practices may lead to higher levels of customer engagement and to increase the opportunity for getting richer information of customers, supporting the extant literature (Gefen, 2000). The entrepreneur can benefit from the customer intimacy building process to seek opportunities and to develop knowledge and skills to exploit the opportunities.

Case Q's marketing activity is driven by a need to build and maintain its customer base in the long term, not limiting itself to hard-selling and promotions for short-term profit. These findings align to an extent with the 'defensive' marketing strategies proposed by Vivek et al. (2012). However, while these findings evidenced a stronger focus upon maintaining the current customer base, the firms also practised 'offensive' marketing strategies (e.g. diversified price promotions), as part of a balanced approach to marketing.

The findings highlight the importance of entrepreneur-driven strategies. Case Q is a micro-company, containing only ten employees and unable to attract an expert to stay with them in the long term. Without the entrepreneur in Case Q controlling the firm's relationship-building strategies, it is the employees who would manage the process. With this size of company, the employees are less likely to consider the bigger picture in which marketing activity does not have immediate benefits. Therefore, it is necessary for the entrepreneur to drive this process, as in Case Q, where they can control relationship-building strategies and

commit the resources to take into account the broader, long-term needs of the firm. This means the proactive outlook can aid the long-term development of customer relationship building.

DISCUSSION

The findings in this paper highlight the entrepreneurial process of customer relationship-building for seeking and exploiting market opportunities. The finding specifies the process of EM in pure-play e-retailers (Kraus et al., 2010) whereby the entrepreneur proactively and innovatively identified and created opportunities for accumulating and retaining customers through a set of long-term customer relationship-building approaches. The entrepreneur leverages their resources to implement the identified opportunity. Risk-taking which is identified to be a key element of entrepreneurship in the literature (Knight, 2001; Lumpkin & Dess, 1996; Miller & Friesen, 1983) was not highlighted as significant in the findings, as the pure-play e-retailers mainly use social media and Taobao platform to carry out the customer relationship-building process. This process requires day-to-day operation on customers' interaction but does not necessarily require significant investment to attract customers.

EM emphasises innovative approaches in retaining customers (Jones & Rowley, 2011; Morris et al., 2002). Lian and Yen (2017) indicate that the individual entrepreneur's innovativeness plays an important role in developing online businesses, especially in the innovation of information technology. These findings align with this, but also highlight the role of an innovative perspective in creating new combinations of e-commerce applications and marketing practices. This research places emphasis on the importance of an innovative perspective in carrying out more effective customer interaction to attract and engage customers in the competitive online environment. These findings suggest three different approaches that were carried out by the examined firms for attracting new customers and for reactivating existing customer engagement in order to seek and exploit further market opportunities.

Firstly, in the process of long-term relationship building, this research brings out the value of quickly integrating the innovation of e-commerce applications into the firms' marketing strategies, as an enhanced form of customer interactivity in order to grasp the opportunities which emerge from the developing e-commerce technology. Secondly, co-creation was

found in this research to be a valuable EM approach to build long-term customer relationships through multiple functions, considering the features of the online environment. In this context, innovativeness refers to the creative development of new combinations of e-commerce applications and traditional marketing practices to maximise the performance of the firm's marketing strategy.

Thirdly, the research suggests that e-retailers should creatively develop a diversified marketing promotion campaign in the online platform in order to attract new customers and reactivate existing customers. This approach aids the e-retailer in grasping opportunities in the fast-changing and relatively homogenous e-commerce market and in enlarging the customer base in order to maximise the performance of customer relationship-building strategies and to increase the market opportunity. Thus, the findings also emphasised the continued innovation of strategies in the process of customer relationship building.

After attracting the customers and keeping them active by conducting innovative approaches, the findings suggest that it is important to maintain them and build trust through long-term interaction approach. This can be characterised as a process of proactive opportunity creation, as the e-retailer uses this approach to build customer intimacy and to increase the opportunities for receiving authentic customer feedback and creating profitable customers. These findings align with Sullivan Mort et al. (2012) who suggested that EM firms accumulate knowledge on the needs and preferences of customers through continual, day-to-day interactions with customers outside of the boundaries of formalised marketing research structures. The entrepreneur needs to continually engage with the customers to build knowledge of customers and seek more opportunity in the process are also emphasised. The firms in this research were indicated to build customer intimacy online through authentic conversations, which were found to reduce the perceived risks as a way of alleviating the lack of trust between the buyer and the seller in the online environment (Gefen, 2000; Harris & Goode, 2004; Sultan & Mooraj, 2001). Proactiveness has been identified as an important entrepreneurial outlook in perceiving the benefits of the long-term approach.

Lumpkin and Dess (1996) highlight that proactiveness can be understood as a forwarding-looking perspective in perceiving opportunities in the market. This paper emphasises the importance of proactively perceiving the benefits of a long-term approach and sustainably building

customers assets by carrying out diversified activities in day-to-day interactions with customers. Building upon the work of Ismail et al. (2018), the findings also draw attention to the long-term perspective of the entrepreneur in committing resources to build customer intimacy and to gain richer authentic customer/insight in order to seek opportunities for long-term growth and to develop repeat purchase customers.

The long-term customer relationship-building process is highlighted to an extent in the relationship marketing literature (Colgate et al., 2005; Naumann & Bowden, 2015; Sashi, 2012); The long-term relationship-building process can allow customers to place greater trust and loyalty in the firm and can lead to customers being more likely to engage in repeat purchasing (Colgate et al., 2005; Naumann & Bowden, 2015; Sashi, 2012). Indeed, the study of Fink et al. (2018) highlights the positive long-term effect of social media-based EM on purchase intention. However, notably, these findings highlight the role of the entrepreneur's perspective for conducting the firm's strategies for online relationship building. More specifically, the findings emphasise the importance of the entrepreneur's long-term perspective, in order to maximise the retention of customers and to build customers assets for the firms to seek more opportunities for brand's long-term development.

Thus, the findings specified the role of innovativeness and proactiveness in the process of customer relationship in the pure-play e-retailers. Proactiveness in this context refers to the entrepreneur's forward-looking perspective in order to perceive the potential benefits of different customer relationship-building approaches and to create opportunities through innovatively enhancing customer interaction. The firms in this research use an entrepreneurial outlook to perceive and exploit the opportunities which emerge with developing e-commerce applications. Meanwhile, in this research, innovativeness refers to the creation of market opportunities through innovative forms of customer interaction, as a way of attracting and retaining customers in the online environment. Yong and Hassan (2019) argue that the entrepreneurial skills and knowledge of social media marketing are important resources in enhancing the performance of social media marketing. These findings build on Yong and Hassan's (2019) study by emphasising the proactive and innovative outlook of the entrepreneur in the enhancement of online customer relationship marketing for seeking marketing opportunities.

Thus, the process of market opportunity-seeking and exploiting is driven by online customer relationship building (see Fig. 12.2). This research highlighted a forward-looking customer relationship-building process which includes carrying out online co-creation campaigns for multiple marketing purposes, diversified and creative promotional strategies, continually innovating the marketing strategies and updating these in line with e-commerce application developments, and building customer intimacy through authentic customer conversations. The firms carry out these innovative and proactive customer relationship-building approaches in order to attract new customers as well as retain current customers and to increase repeat purchases. The firms consider the features of the online market environment and the features of the e-commerce platform in continuing to attract and interact with customers. Ultimately, the firms seek and exploit market opportunities from these day-to-day relationship-building approaches.

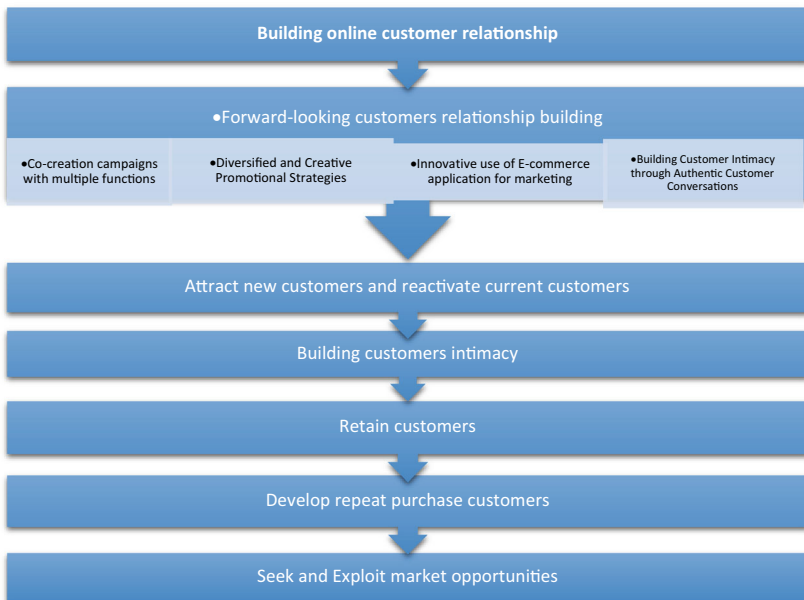


Fig. 12.2 The process of customer relationship building for market opportunity-seeking and exploiting

CONCLUSION

The findings in this paper highlight how Chinese pure-play e-retailers proactively and innovatively seek and exploit opportunity in the e-commerce environment through building online customer relationships. The importance of building online customer relationship among e-retailers is not a new concept which were highlighted by number of researchers (Colgate et al., 2005; Naumann & Bowden, 2015; Sashi, 2012). However, this research has explored how pure-play e-retailers build and maintain customer relationships from an entrepreneurial perspective in the context of the Chinese e-commerce environment and how they consider the specific environmental factors of the Chinese e-commerce market and their own resource constraints when conducting marketing strategies to seek and exploit opportunities in the market. This paper suggests different entrepreneurial customer relationship-building approaches for seeking and exploiting opportunities.

Given the identified gaps in the literature, the conclusions of this paper are tentative and require further research. Nevertheless, they suggest that Chinese pure-play e-retailers need to implement online relationship-building strategies with a forward-looking perspective with a long-term vision, and to accumulate customer assets due to the competitive nature of the online environment and the lack of trust. While the values of building customer relationships have often been highlighted with large firms, this chapter has indicated how an entrepreneurial outlook aid the SME e-retailers' online customer relationship building. The research indicated a two-way relationship between customer relationship building and entrepreneurship. While firms' long-term customer relationship building acts as a main path towards opportunity-seeking, entrepreneurial perspective aids this process and the customers' information they gain in this process improves the firms' opportunity recognition and exploitation.

This paper proposes that SMEs and pure-play e-retailers should adopt more of an entrepreneurial outlook as the basis for assessing and improving their online customer relationship building. Here, it was found that there are beneficial effects for SMEs carrying out their relationship-building strategies as part of a proactive, long-term approach. Accordingly, there is a need for further entrepreneurial research which takes into account the online environment and how entrepreneurship characteristics interact with online technological developments for opportunity-seeking.

Additionally, entrepreneurial research could be conducted in different sectors of the e-commerce market and at a larger scale to gain richer and more in-depth data about how to build customer relationship to seek and exploit opportunities. The performance of the entrepreneurial practices in e-retailers could be tested or assessed through quantitative research too. For example, examine the scale of proactiveness and innovativeness impact upon the long-term performance of customer relationship building. Subsequently, we can begin to have a better sense of how e-retailers should build customer relationships considering the characteristics of the online environment and what are the effective ways of doing so.

APPENDIX

Contextual Background of Case M

Founded in 2011, Case M is a firm that sells female shoes and clothes. Their target market for selling these is young ladies and ‘chic mums’. The firm has ten employees altogether. The entrepreneur did not have any previous entrepreneurial experience before forming this brand. She has approximately 80,000 followers on Weibo (seen November 2016). Indeed, Case M is a blogger store, whereby the entrepreneur is the model of the brand and presents the products online herself.

During the interviews, the entrepreneur did not make much mention of online operational activity, such as data analysis or SEO work. Instead, the firm focuses on customer relationship building and building intimacy between the entrepreneur and the customer on social media. The entrepreneur communicates regularly and personally with customers on social media platforms and shares real-life experiences with the customers. Indeed, most of the firm’s customer base is from social media.

Contextual Background of Case Q

Case Q found in 2012, specialises in selling sweet and elegant style female clothes, targeted towards 20–30-year-old ladies. The firm only has 13 employees. The entrepreneur in Case Q did not have previous relevant entrepreneurial or industry experience before forming this firm. She is the youngest of the entrepreneurs (born in 1990) examined in this research. The entrepreneur has always been interested in fashion and

it is this which motivated her to build this firm. As with Case M, the entrepreneur acts as the model of the brand and presents the products herself to the customers. While the firm itself is based in Beijing, the entrepreneur lives in London, having previously studied there. Subsequently, the entrepreneur presents the firm's products in the London environment and blogs about herself living. The entrepreneur focused her efforts on customer relationship building on social media and a form of customer service that is customised and friendly.

The entrepreneur continually follows fashion trends and shares her fashion insights with her followers on social media, making sure that she is up-to-date with the latest trends. The firm's main competitive advantage is that the entrepreneur has 224,000 followers on her social media account (as of September 2017). This has more than doubled since November 2016.

Contextual Background of Case X

Case X is a firm selling vintage Men's shoes that are designed for both casual, informal activities, as well as for the office. The target market for these shoes is 25–29-year-old males. Case X has 75 employees in total. The entrepreneur founded the company in 2009, making it the oldest of the selected case companies. Before starting the company, the entrepreneur did not have relevant entrepreneurial or industry experience.

The firm has already passed the survival stage and now is in the development stage. They are now focused on building the brand in the long term. On the Taobao e-commerce platform, they are involved in regular customer interaction and engagement, events-building and the spreading of the brand image. Rather than simply following the market or gaining short-term benefits, Case X is aiming to build the brand in the long term and develop its own style to lead the market. The firm is seeking to build a customer base in the long term and to precisely identify its target market.

Contextual Background of Case V

Case V is a male clothing brand that targets 20–25-year-old fashionable males. They have approximately 200 employees and are the largest of the cases examined in this research. Case V was one of the Top 5 men's clothing brands on the Taobao platform in 2015. The entrepreneur in Case V is the only one in this research who has previous entrepreneurial

experience and experience of the fashion industry. Although they have lots of employees, the entrepreneur in Case V is involved in many of the firm's online operational process, notably in terms of selecting the products (e.g. material, style, etc.) and of presenting them in their webstore (e.g. in charge of taking the product photos).

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What Are the Policy Implications of SEPs? Lessons Learned from the Governance of Hellobike in China

Yanwei Li and Qi Bian

BACKGROUND: THE RISE OF SHARING ECONOMY PLATFORMS

The sharing economy is essentially a novel economic business model that has emerged under the impetus of the new technological revolution and industrial transformation (Felson & Spaeth, 1978; Rosenblat & Stark, 2016). The concept of sharing economy traces its origins to 1978 when American sociologists Marcus Felson and Joe L. Spaeth first introduced the concept of Collaborative Consumption (Felson & Spaeth, 1978). Over the past four decades, as internet technology has advanced rapidly,

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the sharing economy has also experienced quick development (Kirchner & Schüßler, 2019).

In 1995, eBay, the world's first C2C website enabling personal item sharing, was established. This platform not only paved the way for e-commerce among individuals but also highlighted the potential role of online platforms in resource sharing. Furthermore, in 2000, Robin Chase, often referred to as the "pioneer of the sharing economy," founded Zipcar, the world's first car-sharing website (Chase, 2015). This innovation offered a new way of utilizing vehicles (Pu & Pathranarakul, 2019). The financial crisis of 2008 provided new opportunities for the development of the sharing economy. Amid economic downturns, more and more citizens worldwide began searching for more cost-effective consumption models, while the rapid development of mobile internet provided technical support for the expansion of the sharing economy. Particularly with the widespread adoption of smartphones, technologies like mobile Location-Based Services (LBS), dynamic algorithmic pricing, and mutual rating systems have effectively addressed issues of information asymmetry, reduced transaction costs, and optimized resource allocation (Rosenblat & Stark, 2016). During this period, companies such as Airbnb and Uber emerged, not only domestically in the United States but also globally, propelling a wave of development in the sharing economy. The core value of the sharing economy lies in its ability to significantly enhance the efficiency of utilizing idle resources, transforming traditional zero-sum competition into a positive-sum game, thereby boosting overall economic efficiency (Frenken, 2017). Additionally, this emerging economic model reshapes the traditional business operations logic and supply chain configurations, making economic operations in various industries more efficient and promoting sustainable environmental development.

The rapid development of the sharing economy has become a new growth point for the global economy. However, this development model also poses various challenges to governance in various countries. These challenges are not only related to major transformations in the economic field but also concern the broader impacts on law, ethics, and social order (Anwar, 2023). First, the impact of the sharing economy on traditional industries is evident. Taking Uber and Airbnb as examples, the rise of these two platforms directly challenges the traditional taxi and hotel industries (Cramer & Krueger, 2016; Zervas et al., 2017). By offering more flexible and economical transportation options, Uber has changed how people travel, causing many traditional taxi drivers in various

regions to face livelihood issues (Kozlenkova et al., 2021). Meanwhile, Airbnb allows homeowners to rent out vacant rooms or properties on a short-term basis, which, while increasing the diversity of accommodations, has negatively influenced the operation of the traditional hospitality industry (Guttentag, 2015; Kozlenkova et al., 2021). Second, the issue of privacy protection is particularly prominent in the sharing economy (Bai & Huang, 2023). Sharing economy platforms typically rely on big data and algorithms to optimize service experiences and improve operational efficiency, involving collecting and processing a large amount of personal information from users (Lutz et al., 2018). While collecting and using these data brings convenience, they also raise concerns about personal privacy and security among users. Data breaches or misuse have been occasionally reported, hindering public trust in the sharing economy (Romanosky & Acquisti, 2009). Third, safety issues are an indispensable aspect of the development of the sharing economy (Stickle, 2023). Due to the often insufficient regulatory oversight of sharing platforms, users may face safety risks when using these services. For example, users of Uber and Airbnb might encounter service providers who have not undergone thorough background checks, posing potential safety challenges. Additionally, the transnational nature of the sharing economy presents challenges for government regulation. The laws and regulations concerning privacy protection and industry regulation vary significantly between countries, which poses a series of legal and operational adaptation issues for sharing economy platforms (Munkøe, 2017).

In 2012, the establishment of Didi Chuxing and Kuaidi Dache in China marked the beginning of China's sharing economy. Unlike past scenarios where China was playing catch-up in many sectors, the country's inherent population, internet users, and traffic advantages have provided it with opportunities to compete in the global sharing economy field, and even take a leading role. In October 2015, the Fifth Plenary Session of the 18th Central Committee of the Communist Party of China first proposed "to develop the sharing economy to promote the integration of the Internet and economic and social development." Since 2016, the sharing economy has been mentioned for five consecutive years in the government work reports during the National People's Congress and the Chinese Political Consultative Conference, reflecting the Chinese government's firm commitment and consistent support for its development. According to the "China Sharing Economy Development Report (2023)"

published by the National Information Center under the National Development and Reform Commission, the total transaction volume of the sharing economy in 2022 was approximately 3.832 trillion yuan, representing a year-over-year growth of about 3.9%. Its role in enhancing the value of green development and fostering green consumption habits is increasingly evident, acting as a catalyst for China to achieve its “dual carbon” goals and high-quality economic and social development.

Currently, the sharing economy has developed into various sectors, including transportation, housing accommodation, lifestyle services, knowledge and skills, medical services, educational training, and manufacturing. Prominent examples include Didi Chuxing, Hellobike, Meituan Delivery, HaHa Carpool, Xiaozhu Short Rent, Tujia, Ayibang, Zhubajie Network, Crazy Teacher, Aunt’s Kitchen, Zaihang, and Heli Home. These platforms cover nearly all aspects of people’s lives and permeate every area of the socio-economic landscape. It has become a new driving force in China’s economic growth and an important factor in enhancing the resilience and vitality of the Chinese economy.

GOVERNING THE SHARING ECONOMY PLATFORM IN CHINA

In China, the sharing economy’s rapid expansion and deep penetration are increasingly evident. Against this backdrop, the governance of the sharing economy is particularly relevant (Wang et al., 2018). Effective governance is crucial for protecting consumer rights and maintaining fair market competition and is a cornerstone of social harmony and stability (Li, 2021). Poor governance might lead to some negative consequences. For instance, lax regulation may lead to disorder in the market, such as improperly managed bike sharing being haphazardly dumped, affecting the cleanliness of urban public spaces, and causing resource wastage (Guo et al., 2019). Meanwhile, the risks associated with data security and personal privacy increase, harming consumer interests and eroding public trust in the sharing economy model. Hence, robust governance is of critical relevance. It helps to stimulate enterprise innovation and promote healthy industry development, protecting consumer rights, and promoting sustainable environmental development (Chien, 2022; Pu et al., 2021). It is essential to strengthen legislation, clarify regulation, and innovate management approaches to build a governance system that

matches the development of the sharing economy, ensuring it plays a positive and effective role in economic and social development (Liu et al., 2020).

The current literature outlines three generic approaches to governing the sharing economy: monitoring, establishing frameworks, and managing processes. These approaches are elaborated on in detail below (Li, 2021).

First, the monitoring strategy primarily involves the government establishing and improving information monitoring systems to track sharing economy platforms' operational status and market response in real time (Shen et al., 2019). This not only helps the government to timely obtain firsthand data on the development of the whole field (Li, 2018) but also provides data support for policy adjustments. For example, in the bike-sharing sector, the government collects data on vehicle distribution and usage frequency to assess the effectiveness of urban traffic and public space management.

Second, the framework-establishing strategy implies that the government has developed clear regulations for the sharing economy. For instance, to regulate the ride-hailing market, the Chinese government issued the "Interim Measures for the Administration of Online Ride-hailing Taxi Operation Services," which specify the entry conditions, operational norms, and legal qualifications required for drivers and vehicles (Li & Ma, 2019).

Third, the process management strategies imply that the government mediates interests among various parties, resolves conflicts, and promotes collaboration (Li, 2021). The government organizes industry conferences, forums, or workshops, inviting businesses, consumers, and industry experts to participate in the discussion and formulation of policies (Li, 2021). This approach to policy transparency and diversification helps the government more comprehensively understand industry characteristics and market demands, while enhancing public acceptance and the efficiency of policy implementation in governing the sharing economy platforms.

CASE: THE GOVERNANCE OF HELLOBIKE IN CHINA

Hellobike, as a significant player in China's bike-sharing market, exemplifies the rise and transformation of the Chinese sharing economy. Since its establishment in Shanghai at the end of 2016, Hellobike quickly

became a unique force in the domestic bike-sharing industry. Particularly in 2017, while other competitors fiercely competed in first-tier cities, such as Beijing, Shanghai, Guangzhou, and Shenzhen, Hellobike chose to break through in second- and third-tier cities, successfully avoiding the initial price wars and capital competition. Entering 2018, as the capital market cooled and the industry consolidated, Hellobike's strategy of deep cultivation in smaller cities began to show a steady growth momentum. During this period, the company gained stronger capital and technological support through strategic partnerships with Alipay and Mobike, further expanding its market share. According to the annual data report released by Hellobike on January 3, 2018, the daily order volume of Hellobike's bicycle business exceeded 20 million in 2018, achieving a year-over-year growth of 100%, with services extending to over 300 cities, including more than 70 cities with exclusive partnerships. According to the 2019 annual data report released by Hellobike in January 2020, by the end of 2019, Hellobike had accumulated over 300 million registered users nationwide, securing its leading position in the industry. Hellobike had established a broad user base and market recognition across the country, including major and medium-sized cities. Moreover, in 2020, Hellobike further enriched its product line by introducing electric bicycles and motorcycles, addressing the growing demand for long-distance travel. This strategy solidified its position in the shared transportation market and demonstrated the company's sensitivity and adaptability to market trends. By this point, Hellobike had transformed from a mere participant in the bike-sharing field to a provider of urban intelligent mobility solutions, marking its transition from a single bike-sharing service provider to a comprehensive mobility service platform. Building on its core services, Hellobike has consistently driven the evolution of smart transportation by applying intelligent software and hardware. Since 2021, Hellobike has launched two new products/services, electric vehicles, and ride-hailing, further enriching the inclusive transportation options available to its users. The review of this developmental journey clearly illustrates how Hellobike has steadily grown amid the waves of China's sharing economy and found its path to survival and development in a complex and dynamic market environment.

We can observe several key policy measures in exploring how the Chinese government comprehensively manages the Hellobike shared bicycle platform. First, as for the application of the monitoring strategy, the implementation of the "Guidance on Encouraging and Regulating

the Development of Internet Rental Bicycles” not only strictly controlled the total number of Hellobike vehicles and parking order but also effectively monitored and adjusted the distribution of shared bicycles, ensuring orderly urban traffic and rational use of public spaces. Second, in terms of establishing regulations, through the “Cybersecurity Law,” “Personal Information Protection Law,” and “Data Security Law,” the government strengthened oversight of Hellobike’s handling of user data and personal information, ensuring the security and privacy of user data. Third, in process management, the government actively engaged in the governance of bike sharing, organized workshops, and had dialogues with them to resolve conflicts and achieve consensus.

The Chinese state’s use of these three strategies supported Hellobike’s innovation and development and facilitated public participation and collaborative governance across societal sectors, enhancing regulatory effects and the self-governance of the bike-sharing field.

CONCLUSION

This chapter provides a comprehensive review of the development trajectory of the sharing economy and its profound impact globally, particularly highlighting its significant performance and policy support in the Chinese market. The sharing economy has reshaped consumer behavior, enhanced resource utilization efficiency, and challenged traditional industries, forcing them to innovate and adapt. However, as the sharing economy flourishes, data security, user privacy protection, and industry regulation have become increasingly prominent, necessitating effective governance and regulatory measures from governments and enterprises. In response to these challenges, the chapter has analyzed three main governance strategies employed by the Chinese government in managing Hellobike. These strategies demonstrate the increasingly crucial role governments play in balancing the promotion of innovation and flexibility with the need to ensure fair competition and consumer protection. Through proactive decision-making, the sharing economy can undoubtedly contribute new momentum to economic development while promoting sustainable societal progress.

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