

# Comparing Cultural Differences in Trading Website Management between Mainland China and Taiwan

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**Abstract**— This paper is a comparative case study using Hofstede's theory to explore cultural differences in trading website management between Mainland China and Taiwan. *Taobao.com* and *Yahoo! Taiwan* are the selected cases. This study collected 3,243 credit appraisals of the auctioneers whose sales ranked the first among eight fields of industry, respectively. To conclude, five propositions were formulated: In comparison with mainland China, Taiwan trading website communities have lower power distance and higher uncertainty avoidance. They tend to be individualism-oriented and long-term oriented. Of particular note, there are slightly differences in terms of masculinity vs. femininity.

**Keywords**- *cross-cultural difference; trading website; trading community; Mainland China, Taiwan*

## 1 INTRODUCTION

Due to the rise of a global trend of e-commerce since 1997, e-commerce is receiving greater attention. A trading website provides a platform for merchants and buyers to trade on this platform. In addition, a trading website provides a credit rating system to help buyers and sellers to make decisions of transactions (Bolton et al., 2004; Dellarocas, 2003; Lin et al., 2006). The scholars in the field of e-commerce marketing and information decision-making generally contend that customer satisfaction has a considerable impact on customer loyalty (Bhattacharjee, 2001a, b; Gustafsson et al., 2005). Moreover, Lamb and Kling (2003) asserted that the studies investigating usage of information and communication technology should consider the complex social environmental factors. However, the past studies concerning trading community mainly placed emphasis on community identity and community loyalty (Farquhar

& Rowley, 2006), community characteristics (Muniz & O'Guinn, 2001; McAlexander et al., 2002), and community value (Monroe, 1990; Sheth et al., 1991; Eggert & Ulaga, 2002). There were few studies exploring cultural factors involved in trading community management. Since little attention has been paid to the issue; the present study, therefore, aims to explore the cultural differences in online trading website management practices between mainland China and Taiwan.

## 2 LITERATURE REVIEW

### 2.1 Website quality management

Studies on the website quality have received much attention. The e-quality influences the performance of websites; that is, it makes intuitive sense to propose that perceived usefulness is associated with actual usefulness and therefore with the success of a system (McGill, Hobbs & Klobas, 2003). Many researchers have focused on this important issue. For example, Zeithaml, Parasuraman, and Malhotra (2002) proposed five broad sets of criteria relating to e-service quality perceptions: Information availability and content, ease of use or usability, privacy or security, graphic style, and reliability. Xie, Wang, and Goh (1998) quality dimensions of internet search engines involve tangibles, reliability, responsiveness, assurance, and empathy. In sum, the factors facilitating website quality can be categorized as platform quality (ease to use, usefulness, and reliability), information quality (availability, content, correctness, and timeliness of information), and relationship quality (privacy and follow-up services).

### 2.2 Cross-cultural perspectives: Hofstede's five cultural dimensions theory

#### Power distance

Hofstede's (1994) power distance index measures the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally. Basically, this dimension addresses that obedience and respect are emphasized by a hierarchical system. In cultures with high power distance, hierarchy is stressed while in those with low power distance, equality is supported by the entire society

#### **Uncertainty avoidance**

It refers to which people in a cultural setting feel threatened by unknown or uncertain situations, and thus set up rules, written or unwritten, to maintain predictability (Hofstede, 1994). In cultures with high uncertainty avoidance, ambiguity, complexity, and discrepancy are avoided; obedience to rules and authority is ensured, while in those with low uncertainty avoidance, ambiguity and diversity are tolerated; rules are fewer, flexible, and changeable for people and functions.

#### **Individualism vs. collectivism**

It refers to the extent to which an individual values the self-reliance, equality, autonomy, and own privacy. Individualism in cultures implies loose ties; everyone is expected to look after one's self or immediate family (Hofstede, 1994). In cultures that are characterized by collectivism, people tend to value group effort as a source of identity, protection, and loyalty. Conflict is minimized to maintain consensus and harmony.

#### **Masculinity vs. femininity**

It indicates the extent to which dominant values in a society tend to be assertive and look more interested in self-confidence, competitiveness, success, and acquisition of wealth than in concerning for relationship building and quality of life. In masculine cultures, material success, assertiveness, and ambition are dominant values while in feminine cultures, competition and achievement are a secondary concern. People of feminine society tend to maintain harmonious human relationships, cooperation. Conflict is resolved by compromise and negotiation.

#### **Long-term orientation vs. short-term orientation**

This new cultural dimension reflects Asian perspectives on culture. As Hofstede (2001) noted long Term Orientation stands for the fostering of virtues oriented towards future rewards, in particular perseverance and thrift. Its opposite pole, Short Term Orientation, stands for the fostering of virtues related to the past and present, in particular, respect for tradition, preservation of 'face' and fulfilling social obligations.

### 3 METHOD

This study adopted a qualitative comparative case study. The selected case in mainland China is *Taobao.com* while that in Taiwan is *Yahoo! Taiwan*. Data were collected mainly from a credit rating system of these two cases. A credit rating system provides a platform for sharing information of transaction. After completing a transaction, a buyer can post his/her credit rating as "positive," "neutral," or "negative." In addition,

a buyer can share his/her perceptions towards this transaction. In this study, we randomly sampled appraisals of the sellers whose sales ranked first respectively in eight industry fields covering food, clothing, housing, transportation, education, entertainment, beauty, and 3C (computer, communication, and consumer electronics). The deadline for data collection was on April 30<sup>th</sup> 2010. The historical database of *Taobao.com* allows only the latest 200 positive appraisals to appear on each website. Therefore, a total of 1,600 positive appraisals were collected from *Taobao.com*. Likewise, we collected 1,286 negative appraisals. We kept 669 positive and 712 negative appraisals after deleting repetitive and non-informative ones, such as "Good," "I liked it," "Great," etc. For the purpose of balancing the number of appraisals on *Yahoo! Taiwan*, we collected 200 appraisals for each industry: To begin, we surfed from page 1 to 10 and collected 20 appraisals per page. We discontinued the collection work until no new positive appraisals appeared on the page 11 and followings. Finally, a total of 1,600 positive and of 1,331 negative appraisals were collected. Then we kept 764 positive and 1,098 negative appraisals after deleting similar or irrelevant comments. By randomly sampling appraisals from the selected cases, we built a database containing 3,243 appraisals and took each appraisal as a unit of analysis.

## 4 RESEARCH FINDINGS

### *4.1 Key Factors for Auction Website Management*

After carrying out semantic analysis of the 3,243 appraisals, this study induces the following 13 factors.

#### *4.1.1 Consumer focus*

**Business image recognition (A1):** It is induced from consumers' degree of trust towards sellers' image.

**Merchandise perception (A2):** It is induced from consumer's perception towards the features of the merchandise itself.

**Merchandise recognition (A3):** It involves that a consumer shares, his/her recognition towards a product, with other communities' members after use of the product.

**Communication possibility (A4):** This factor refers to communication status between sellers and buyers.

**Privacy (A5):** It refers to whether a consumer's personal information or property is given out publicly.

**Community Language (A6):** It includes the language, symbols, word expressions, etc. used within communities.

**Customization (A7):** This factor involves consumers' requests for making changes or special services on the merchandise according to their personalized needs.

#### *4.1.2 Seller focus*

In addition to placing importance on communication possibility (A4), online sellers give weight to transaction

mechanism (B1) as their commercial activities come out in the process of consumers' placement of order, payment, delivery, and after-sales service. Hence, the transaction problems between sellers and buyers can be divided into the following three factors:

**Merchandise delivery (B11):** It involves all kinds of problems sellers might experience during the process of merchandise delivery.

**Merchandise refund and replacement (B12):** It involves after-sales service problems and solutions.

**Merchandise payment (B13):** It concerns buyer's and seller's behavior to pay and receive money for a business deal.

#### 4.1.3 System platform focus

**Infrastructure (C1):** It involves the website designing style, transaction process, etc.

**Consumption warranty (C2):** It refers to the protection and regulations given to consumers by trading websites or relevant decree.

**Arbitration of transaction disputes (C3):** It involves a third-party that is authorized to handle the arbitration of transaction disputes between consumers and sellers. This third-party could be a manager of trading website or relevant authorities.

## 4.2 Comparative Analysis of the Cases

### 4.2.1 Power Distance

This study achieved to compare: (1) to which extent sellers imposed power on buyers (called as Distance A); (2) to which extent buyers had influence on buyers (Distance B); (3) the power distance of system platform (Distance C); and (4) buyers' power distance (Distance D) between the two chosen cases. On "business image recognition," "communication possibility," "community language," and "customization," the Distance A of *Yahoo! Taiwan* is much lower than that of *Taobao.com*. For example, many stores of *Taobao.com* are owned by well-known brand companies. Once purchase issues occurred, the sellers would tend to think that the faults were caused by the buyers themselves. In terms of "merchandise recognition," the Distance B of *Yahoo! Taiwan* is much lower than that of *Taobao.com*. The Distance C of *Yahoo! Taiwan* is lower than that of *Taobao.com*. Finally, in terms of "merchandise recognition," the Distance D of *Yahoo! Taiwan* is lower than that of *Taobao.com*. In sum, all dimensions of power distance of *Yahoo! Taiwan* are lower than those of *Taobao.com*. Consequently,

**Proposition 1:** The power distance among online trading communities in mainland China is comprehensively higher than that in Taiwan.

### 4.2.2 Uncertainty Avoidance

With reference to uncertainty avoidance, following is a summary of the study's key findings: (1) *Yahoo! Taiwan* consumers had higher uncertainty avoidance in

terms of "merchandise recognition" and "merchandise refund and replacement." For example, *Yahoo! Taiwan* consumers can require a refund or replacement after a seven-day trial period; furthermore, they may cancel their order in some cases after having negotiations with sellers during the process of transaction; (2) *Taobao.com* consumers had higher uncertainty avoidance in terms of "merchandise payment;" (3) both consumer groups had lower uncertainty avoidance in terms of "privacy;" and higher uncertainty avoidance in terms of "merchandise delivery;" and (4) *Yahoo! Taiwan* system platform had higher uncertainty avoidance in terms of "consumption warranty." Consequently,

**Proposition 2:** The uncertainty avoidance among online trading communities in mainland China is lower than that in Taiwan in terms of "merchandise perception," "merchandise refund and replacement," and "consumption warranty," higher than that in Taiwan in terms of "merchandise payment," equally low with that in Taiwan in terms of "privacy" and equally high with that in Taiwan in terms of "merchandise delivery."

### 4.2.3 Individualism vs. Collectivism

Two relevant findings were achieved: (1) *Taiwan* consumers were more characterized by individualism in terms of "merchandise recognition," "communication possibility," and "customization." For example, *Yahoo! Taiwan* consumers may require sellers to carry out a transaction by following their specifications, such as requiring a delivery to a specific location within a specific time, a combine shipping to reduce freights, etc; (2) *Yahoo! Taiwan* system platform was more characterized by individualism in terms of "merchandise payment." Consequently,

**Proposition 3:** The online trading communities in mainland China are comprehensively collectivism-oriented while those in Taiwan are individualism-oriented.

### 4.2.4 Masculinity vs. Femininity

*Yahoo! Taiwan* consumers were more characterized by masculinity in terms of "communication possibility" and "merchandise refund and replacement;" and more by femininity in terms of "merchandise perception." For example, *Yahoo! Taiwan* consumers preferred to comment the look, design, packing, and quality of the product while *Taobao.com* consumers paid much attention to the quality of the product itself, its gravity, thickness, solidness, or hardness. Of particular note, both consumer groups were characterized by femininity in terms of "community language." Consequently,

**Proposition 4:** The cultural context in mainland China belongs to femininity in terms of "communication possibility" and "merchandise refund and replacement," while that belongs to masculinity in terms of "merchandise perception". As for "community language," the both contexts in mainland China and Taiwan belong to femininity.

#### 4.2.5 Time Orientation

The findings reveal that: (1) *Yahoo! Taiwan* auctioneers were long-term oriented, in terms of “business image recognition,” “communication possibility,” “merchandise delivery,” “infrastructure,” and “arbitration of transaction disputes.” For example, *Yahoo! Taiwan* auctioneers tended to sell single-type products, reflecting the fact that they highlighted specialties, their professional business image; while many *Taobao.com* auctioneers often provided a variety of products aiming to offer consumers more diverse options and convenience to shop all things at once; (2) *Yahoo! Taiwan* system platform was long-term oriented, in terms of “merchandise recognition;” (3) *Yahoo! Taiwan* consumers was long-term oriented, in terms of “merchandise payment.” Consequently,

**Proposition 5:** The online trading communities in mainland China are comprehensively short-term orientated, while those in Taiwan are long-term orientated, in terms of “business image recognition,” “merchandise perception,” “communication possibility,” “merchandise delivery,” “merchandise payment,” “infrastructure,” and “arbitration of transaction disputes.”

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