

DEVELOPMENT OF A GLOBALIZED E-COMMERCE PROGRAM

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ABSTRACT

E-commerce has grown rapidly and is already becoming a global phenomenon. Unfortunately, business curricula have not kept up with this new business model. A framework is advanced within which to develop a systematic approach to a Global E-commerce curriculum. This framework differs from traditional international business curricula in that it specifically addresses key issues from which Global E-commerce departs from that curricula. These specific issues are listed and briefly discussed

INTRODUCTION

The potential for E-commerce is enormous. Estimates are that Internet sales will reach \$1.2 trillion by 2002 (Real Numbers 1998). Approximately 75% of Americans aged 16 to 60 have access to the World Wide Web either at home or at work. While the growth potential for E-commerce in the United States is huge, the potential worldwide is nearly unimaginable, particularly in the business-to-business sector. The Internet and World Wide Web are, of course, global already and E-commerce is set to explode as a global phenomenon. Consequently, pedagogical questions arise on how to best meet the needs of students who will enter this largely unknown arena.

BACKGROUND

Determining the world Internet population is an inexact science, but Commerce Net Research Center (1999) estimates the total at 120.5 million, including 79 million in the US and Canada, 23 million in Europe and 15 million in Asia/Pacific. There are about 3.5 million users currently in South America, the Middle East, and Africa combined.

Data on E-commerce revenues are spotty, but business-to-business (B2B) transactions totaled \$7.5 billion in 1997. Piper Jaffray estimates that B2B transactions will reach more than \$201 billion in 2001, while Forrester Research predicts B2B business will reach \$327 billion in 2002 (Department of Commerce 1999).

To realize the potential, E-commerce companies and their managers must shift from a U.S. market

perspective to a global one. Unfortunately, most companies engaged in this sector are poorly equipped to deal with the special nature of international markets and operations. -E-commerce startups tend to be very small, with the founders focused on the domestic, technical, financing, and marketing aspects of their business. There is a significant need for these entrepreneurs to learn about the marketing, legal, ethical, and cultural issues that make international business so challenging. Established companies entering global E-commerce as an extension of their existing businesses require similar education.

The Internet and especially commerce on the Internet, has brought about significant changes to the marketing of products and services over the Internet. The Internet has great potential for bringing international businesses and consumers together, but there are issues that need addressing. As Thomas Friedman (1999) said:

"The minute you start to do business on the Web, you now have to think globally. You have to think about your competitors as global, your readers as global, your suppliers as global, and your partners as global."

GLOBAL E-COMMERCE CURRICULUM

The requirements for a Global E-commerce curriculum were identified initially through conversations with founders of small E-commerce ventures, entrepreneurs seeking funding, and a venture capitalist. Further discussions followed with faculty colleagues versed in Entrepreneurship, International and E-commerce law, International Management, and International Marketing. Finally, we sought advice and insight from members of our business school advisory council. This led to secondary research about E-commerce and issues raised by the collision of geographically unbounded electronic commerce with the legal, cultural and business practices of other societies.

The framework within which a Global E-commerce curriculum was developed includes examining general and specific issues unique or specific to E-commerce.

General Issues

Many major knowledge issues face E-commerce entrepreneurs, including marketing, legal, ethical, and cultural differences encountered in international commerce. Some examples include, customs, tariffs, and taxes; currency and pricing; methods of payment; fraud; local laws and cultural prohibitions; and privacy.

International Marketing Issues

As with any successful international or global business, functional areas must be integrated. However, in teaching Global E-commerce, marketing, because of its direct interaction with the customer, requires special attention. Specific international issues an E-Marketer must consider include the nature of the consumer and access to different markets, the ability to research using the Internet, the changing nature of distribution functions, how transactions are conducted and secured, cultural implications, and advertising and promotion, and customer service. Over all these issues are the strategic issues of why and how a firm should utilize the Internet.

Strategic Planning

The use of the Internet should be consistent with a firm's long-term strategic planning. The Internet is only one method for entering foreign markets, including exporting, licensing, strategic international alliances, franchising, and joint ventures, and foreign direct investment (Cateora and Graham 1999).

Market Access

Because all Internet users are potential customers of E-marketers, marketers must understand the diversity of these customers to better satisfy their needs. For example, Australia is going through some of the same demographic changes that have been evident for some time in the U.S. The typical user is no longer a professional male earning \$32,000 a year, but is more like the general population.

In Russia, typical users are likely to have the following profile: 27.5% are managers, 36.6% are specialists, and 81% have higher education. In addition, they are heavily weighted to the 25-35 year age demographic (eMarketer 1999b).

As these examples illustrate, understanding the diversity of global E-customers will require teaching

new ways of determining customer profiles and customer needs. Segmenting the market, for example, will at the same time be easier, but also more complex. Paradoxes such as this will increasingly be found in global E-commerce.

Market Research

Already a vast amount of information is available on the Web. Some is useful for evaluating markets and segmentation, but just because there is a large amount of it does not mean it is valid, reliable, or appropriate. Teaching E-marketers how to optimize their search for information on the Web will be challenging, but necessary in a global E-commerce curriculum.

Distribution

Some experts see distribution as playing a key role in global E-commerce, but not necessarily just in its traditional functions. The function of the middleman has changed. Now, the web site is itself the middleman, providing many of the functions of a traditional middleman, including offering buyers information and sellers access to buyers (Maddox 1998).

Because it is so easy to be on the Web, many U.S. businesses have established a Web presence without planning for customers not residing in the U.S. This issue has, and will continue, to present problems of transportation, documentation, pricing, tariffs, payment, and other issues, unless E-marketers are taught the basics of global E-commerce.

Transactions

Shopping -- Consumer use of E-commerce has had the most press, but it is business-to-business (B2B) E-commerce that generates the most volume. Business to business E-commerce is generally further developed than the consumer market because businesses have better access to computers, faster connection speeds, and a support staff to make sure the network and software are functioning properly.

For consumers as well as businesses, the nature of shopping is changing. Online shopping results in the following benefits (Hanson 2000):

- **Price** – online buying is often cheaper than more traditional forms, especially when time and transportation are considered.
- **Assortment** – the range of products better matches consumer desires.

- **Convenience** – the timing, location, and buying process are superior. For example, kozmo.com recently established a video delivery service, along with your favorite foods, within an hour of ordering.
- **Entertainment** – buying online is more fun than alternatives.

Clearly, the use of the Internet for shopping, both for consumers and businesses, is growing at a dramatic rate. However, the nature of shopping has changed and E-marketers will need to thoroughly understand these changes in order to manage them.

Payment and Pricing – payment and pricing are key issues for which the traditional marketer may be ill prepared when facing the challenges of global E-commerce. While the use of credit cards is ubiquitous in the U.S., many foreign societies are still cash-driven. Even though security issues are being improved through technological advancements, overcoming cultural resistance to using *any* credit card will take time.

With the euro becoming the common currency of much of the European Union, the ability for Europeans to transact business over the Internet will improve. On the other hand, it will also make pricing strategies important, as pricing differentials will be much easier to spot (Stewart-Allen 1997).

The problems of being paid are compounded as geographic distances increase between customer and seller. Letters of credit or other common payment schemes used by international businesses may be inappropriate for individual consumers and inadequate for businesses requiring the speed of online purchasing. These issues will need to be addressed in any program addressing global E-commerce.

Cultural Changes

The Internet has the capacity to change cultures and to be changed by them. Understanding the cultures of the various global markets is critical for success. It is difficult enough when that culture is being purposely targeted, but is even more complex when a global customer can represent almost any culture. Developing the strategies an e-marketer needs to not only understand, but also to reach the diverse global cultures are critical.

Customer Service

Marketers face exceptional hurdles in delivering appropriate customer service levels to their individual foreign markets. When the customers are unknown, these issues become more complex. Global E-marketers will need to develop policies and procedures for maintaining customer service levels expected by each of their foreign markets. A first step, of course, is in understanding who and where the customers are and what their specific needs might be.

Advertising and Promotion

Advertising and promotion on the Web has evolved even over the few years the Internet has been used for commerce. As computers and access speeds have increased, Web advertisements have evolved from the static to the dynamic. Some other differences are well described by Bill Dunlap, Managing Director of Global Reach (1999). "Web business is pull marketing par excellence. Marketing stood on its head. Instead of someone going out and actively selling something to someone, pull marketing attracts people to a Website, when they are looking for a particular item. Attracting people's attention, when they are in the browsing/buying mood. This obviously has to be done in their own language. Make your Website such that its gravitational field pulls in people who are interested in its subject... and they can quickly read it in their own language. That is the key to today's shift in marketing."

Besides advertising, there are numerous other promotional opportunities available on the Web. In these most visible of marketing activities, however, there are both cultural and legal issues that must be addressed in a global E-commerce curriculum.

Legal Issues

New models of commercial interaction are developing as businesses and consumers participate in the international electronic marketplace. These new models may revolutionize global business, but they also raise challenging legal issues. Both the United States and the European Union have approached the legal challenges by encouraging market-driven solutions (Clinton and Gore 1997). In other words, any regulation necessary should be minimalistic, consistent and simple. The law should establish technology-neutral, framework principles to provide a uniform legal environment against which the international market may work. Such a framework would witness the dismantling of existing legal barriers to electronic commerce and the

enactment of new rules to support the use of technology to facilitate global trade (O'Rourke 1999).

Existing Legal Barriers

The accelerating pace of business activity over the Internet raises specific legal issues related to jurisdiction, contract enforcement, protection of intellectual property, export controls, taxation, consumer privacy and online dispute resolution, to name just a few. However, the lack of a uniform law, or framework, to govern electronic commerce is considered the foremost legal barrier to international free enterprise over the Internet. In the absence of such a framework, there is no predictable legal environment supporting commercial transactions over information systems. A course in "cyberlaw" would provide business students with a comprehensive understanding of existing and evolving E-commerce law sufficient to allow them to create successful international E-commerce strategies.

Recent Legal Developments: A Sampling

Electronic Signatures The harmonization missing in "cyberlaw" is obvious even in the approach governments adopt in response to the new challenges created by electronic communications. For example, some of the more persistent commercial law questions raised by business activity over information networks concern transaction authentication. Typically, these issues are resolved through the use of a signed writing evidencing the transaction. Of course, there is no uniform approach to what constitutes a signed writing in cyberspace. A new model law, the Uniform Electronic Transactions Act ("UETA"), has been proposed for countrywide adoption. (National Conference 1998). In the European Union, the European Commission ("EC") has proposed a directive on electronic signatures known as the E-Signature Directive (Proposal 1998). Neither the E-Signature Directive nor UETA favor a particular electronic authentication technology. In contrast, several member states of the European Union ("EU") (notably Germany, Italy and France), like many of the states in the United States have enacted technology specific legislation (e.g., digital signatures) (Church, Pullen, and Winn 1999). The E-Signature Directive and UETA are both recent propositions requiring official enactment. Thus, it may be years before there is resolution on just this one issue (McBride, Baker, & Coles 1999).

Enforceability of Contracts Related to the authentication issue is the issue of general

enforceability of contracts formed electronically. The United Nations Commission on International Trade Law adopted a Model Law on Electronic Commerce in 1996. Its intent is to facilitate electronic commerce by providing for essentially the same treatment of electronic and paper records. The EC followed suit with its Proposal for a European Parliament and Council Directive on Certain Legal Aspects of Electronic Commerce in the International Market ("EC Proposal"). The EC Proposal directs member states to ensure that their legislation allows contracts to be concluded electronically. In the United States, the proposed revisions of Article 2 of the UCC would apply to electronic purchases of goods while the proposed Uniform Computer Information Transactions Act ("UCITA") would cover computer information transactions (Kunze 1999).

Consumer Privacy Finally, it is worth noting the development of law in the area of consumer privacy. In 1995, the Council of Ministers and the Parliament of the EU adopted the Data Protection Directive that prohibits the transfer of personally identifiable data to countries outside of the EU that do not provide an adequate level of privacy protection. This approach to privacy rights is markedly different than that taken in the United States. As a result, U.S. firms collecting or using personal information about individuals in Europe are very concerned about the prospect of business interruption (due to interruption in data flows) and enforcement action that could be taken by officials in the EU (Church, Pullen, and Winn 1999).

CONCLUSIONS

In developing a Global E-commerce curriculum to meet the needs of the new millennium, we have developed a framework to include those issues that differ from more traditional methods of international business. In particular, the strategic management, marketing, and legal issues unique to global E-commerce need to be incorporated in a Global E-commerce curriculum.

This framework will serve as a basis for developing the curriculum, but it is obviously a "work in progress. The challenge is to design a curriculum that can transcend the rapid growth of the industry, the technological changes that occur, and the different business models being implemented through and because of E-commerce.

REFERENCES

(Furnished upon request)