

## Chapter II

# Significance and Success Factors of E-Commerce in China and Russia: An Empirical View

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### ABSTRACT

*This chapter outlines and discusses current empirical findings and conceptual ideas concerning the status quo and future prospects of e-commerce in emerging markets, with a special focus on China and Russia. Besides two own online-surveys covering business companies from different industries as well as management consultancies acting in these countries, we also refer to the results of recent studies dealing with the topic of interest in a meta-analytical sense. The resulting managerial implications are primarily based on those factors which determine the success of e-commerce activities and on the corresponding value creation.*

### INTRODUCTION

The significant relevance of **e-commerce** has initiated comprehensive research and numerous empirical studies referring to industrial countries such as Germany and USA. In recent years, e-com-

merce has also gained increasing importance in **emerging markets** like **China** and **Russia**. This far-reaching development finds its expression in a respectable number of studies that investigate the status quo and future prospects of e-commerce in such markets. However, the existing ones are

mostly restricted to partial aspects of e-commerce or industries. Hawk (2004), for example, provides a comparison of B2C e-commerce in developing countries, whereas Huang et al. (2007) present an empirical study on the success factors of e-commerce in the Chinese publishing industry. Decker et al. (2005) emphasize the necessity of cross national comparisons, particularly when discussing the developments in emerging markets, if generalizations of the empirical findings are a matter of interest. In doing so, several parallels as well as interesting differences between China and Russia can be detected that suggest specific e-commerce strategies.

China and Russia are particularly interesting from an economic point of view, since both the evolution of China towards a future economic power and the relevance of Russia for the East-European market expansion is largely indisputable. In 2006, China's gross domestic product (GDP) growth rate was 10.7 per cent, the highest value for years. Over the last nine years China had a GDP growth rate of 9.2 per cent on average. Russia, on the other hand, featured a GDP growth rate of 6.7 per cent in 2006 and an average growth rate of 6.8 per cent when considering the last seven years. In comparison to this, Germany and the USA currently have an average GDP growth rate of 1.6 and 2.9 per cent (Bundesagentur fuer Ausenwirtschaft, 2007). According to its purchasing power parity, China is the second strongest nation, behind the USA. Russia ranks ninth in this context (The World Factbook, 2007). The potential future demand resulting from these markets is an important attractor for foreign companies. In 2006, China attracted over 69.5 billion US\$ in foreign direct investments, i.e. 3.2 times more than Germany and 5 times more than Russia. China is covering about 9.6 million square kilometers and Russia, the largest country at all, even 17 million. Due to the enormous geographical size of these countries, the application of Internet-based e-commerce solutions, as an additional

alternative to conventional market development approaches, recommends itself. According to the China Internet Network Information Center (CNNIC) about 162 million Chinese internet users are online today. The current number of internet users in Russia amounts to 28.7 million (The Public Opinion Foundation, 2007).

A review of the relevant empirical literature reveals the considerable heterogeneity of the respective studies regarding the covered topics. Xiang and Kim (2007), e.g., show that international papers more often deal with technological issues, while Chinese papers put a stronger focus on the support systems and security, one of the main aspects of e-commerce success in China. The general conditions of e-commerce in Asia, and in particular in China, are the subject of discussions in various up-to-date studies. Tan and Wu (2006), for instance, consider e-commerce in China in more detail. Among other things, they argue that there are still obstacles which hinder the widespread adoption of e-commerce in China. Nevertheless, China is moving into a stage of sustainable growth in e-commerce, despite these obstacles. Wong et al. (2004) concentrate on factors that have a significant effect on e-commerce in China. They point out that e-commerce development will be influenced in a significant way by user behavior and local economic development. The goal of a paper by Tan and Wu (2004) is to investigate the diffusion and impacts of the Internet and e-commerce in China. They state that Chinese companies have started to systematically build up an e-commerce infrastructure and an Internet presence. But the companies often fail in accomplishing transactions because of barriers in business practices, legislation, and culture. Lu et al. (2007) empirically examine how tourism and travel e-commerce has boomed in China, how the tourism value chain has changed in the new environment, and what the current status of China's tourism and travel e-commerce is. Their results suggest that most Websites primarily

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