



## **Chapter XVI**

# **Perceptions and Attitudes About eCommerce Development in China: An Exploratory Study**

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## **ABSTRACT**

*It is widely recognized that eCommerce represents a critical resource for most business organizations. With over 1.25 billion people and double-digit economic growth, China could potentially emerge as the largest Internet and telecommunications market in the world if certain economic, environmental, and organizational barriers are effectively addressed. This chapter develops a descriptive profile of Chinese business managers with respect to their awareness of the technological infrastructure as well as their perceptions and attitudes regarding eCommerce. Management's viewpoint on a variety of environmental, organizational, and personal factors provides insight into the future of eCommerce in China within the framework of organizational commitment to eCommerce driven innovation. Findings indicate that firms interested in engaging in eCommerce in China will find a knowledgeable and supportive business climate; however, eCommerce initiatives may be hindered by constraints imposed by the current infrastructure.*

## INTRODUCTION

The business potential of eCommerce technologies is seemingly irrefutable given the nearly 200 million Internet users worldwide. Of these 200 million users, the largest share, 80 million or 40 percent, reside in the United States. Although growth in both the U.S. and abroad is expected to continue unabated, analysts predict that the U.S. share of this global market will gradually decline. In contrast, China, with the third largest user population, is expected to gain market share—particularly in light of the prediction that it will surpass Japan and become the largest Asian Internet market during the coming year (The Yankee Group, 2001). While the China Internet Network Information Center (CINIC) reports 16.9 million Internet users (Statistic Report of Internet Development in China, 2000)—a figure that is double that of a year ago (Steinert-Threlkeld, 2000)—some analysts predict exponential growth with users totaling 120 million by 2004 (Pfaffenberger, 2000). These developments are in line with the rate of adoption theory, which describes the IT diffusion process as initially proceeding through a slow, gradual growth period, followed by dramatic and rapid growth, then gradual stabilization, and finally a decline (Rogers, 1995). With over 1.25 billion people and double-digit economic growth, China could potentially emerge as the largest Internet and telecommunications market in the world if certain economic, environmental, and organizational barriers are effectively addressed. Revenues generated through eCommerce transactions remain dismal, even as the technology experiences unprecedented growth. A recent report published by the Ministry of Information Industry of China reports Internet-based transactions totaled nearly U.S. \$100 million for the year 2000—a mere fraction of the total traditional business revenue (China News, 2000). Comparatively, U.S. online sales (not including business-to-business eCommerce) for the first quarter of 2000 totaled \$5.26 billion or 0.7 percent of the \$747.8 billion in retail sales (Blackmon, 2000). In spite of this paucity of earnings, the Internet provides the Chinese with easy access to the outside world, and many are eager to embrace this new technology.

Four pivotal environmental or structural conditions adversely affect the development of a viable eCommerce market in China. First, Internet purchases are generally credit card transactions—a payment system that represents a direct contrast to China's cash-based consumer culture (Markus and Soh, 2002; Steinert-Threlkeld, 2000). A second yet related condition stems from the fact that the use of credit cards requires an infrastructure capable of handling electronic payments. China's substandard IT/electronic payment infrastructure (Markus and Soh, 2002; Steinert-Threlkeld, 2000) creates a somewhat formidable obstacle. Third, current governmental restrictions hamper the development of a vibrant eCommerce market in China (Markus and Soh, 2002; Rosen, 1999), and major changes are not anticipated in the foreseeable future. The final structural impediment stems from China's substandard telecommunication system (Markus and Soh, 2002). Collectively, these structural deficiencies may provide some basis for the fact that very few of the eCommerce initiatives in China have been successful to date (Martinsons, forthcoming).

A variety of environmental, organizational, and personal factors are not only instrumental in advancing IT diffusion, but also have a marked impact on management's perceptions and attitudes regarding eCommerce. Environmental factors, such as business-friendly government regulations and infrastructure improvements, are critical if eCommerce is to live up to its potential in China. Organizational factors highlight

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