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## **Chapter II**

# **Cultural Differences in E-Commerce: A Comparison Between the U.S. and China**

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## **ABSTRACT**

*This chapter discusses the importance of identifying cultural problems of the online globalization and points out that payment and logistic systems and language are the primary factors that every firm should take into account in the process of their online globalization. Next, the chapter identifies the characteristics and trends of the Internet and e-commerce in China. In the third part, the chapter differentiates e-commerce in the U.S. with China through analyzing Internet users' behaviors especially their attitudes toward different payment systems in these two countries. Finally, it discusses how to remove language barriers to enhance net growth. In conclusion, this chapter will suggest some recommendations on how to expand business via the Internet by reducing the gap between the two cultures.*

## **CULTURAL PROBLEMS IN ONLINE GLOBALIZATION**

The Internet has made it easier than ever to market products and services across the globe. Most American companies today are so focused on their domestic market that

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they do not pay any attention to the overseas markets. Nevertheless, e-commerce is global in nature and the international markets represent immense potential.

While the United States is undergoing an historic development in the introduction of e-commerce, the rest of the world including China is trying to catch up. According to the Jupiter Globalization Report published in January 2001, the U.S. share of the global Internet population will drop from 36 percent today to approximately 24 percent in 2005. During the same period, Chinese Internet users will increase tremendously (Jupiter Globalization Report, 2001).

American companies such as Microsoft, Intel and Compaq all opened offices in China in the 1990s. This trend continued as Net Economy companies opened their Chinese offices at the end of 20<sup>th</sup> century. However, many hurdles—especially significant cultural differences between the two countries — are limiting those companies' local reach of e-commerce and in some cases blocking it entirely.

Sometimes culture is defined as the combination of language and the habits of people in a certain place. Therefore, when a company decides to internationalize its business through the Internet, it should identify the potential problems concerning cultural differences across borders. However, what do cultural differences really mean? Or in other words, what specific elements should be taken into account while thinking of potential cultural barriers? According to our investigation, online cultural problems include the following sides: 1) language; 2) values; 3) infrastructure. Of course, these are broad-based categories. In each side, there should be subcategories. For example, in infrastructure, more elements should be discussed, and the word “infrastructure” is based on an environment consisting of payment system, logistic system, laws, taxation, etc.

This chapter only discusses the most important aspects including language, payment system and logistic system. While discussing the behavior of Chinese online shoppers, values and their attitude will also be involved. For one thing, as the saying goes, “Rome was not built in a day”, even if you track down all the cultural differences, you can NOT resolve them immediately. Also, the cultural differences between the U.S. and China are somehow “unique”.

Concerning cultural difference, the first element that should be taken into account is language.

Chinese people who surf the web often don't use English as their first language. Their cultural outlook and value system is different from the system predominant on the web. Therefore, in this chapter, the Internet and e-commerce strategies in China are discussed as a case study of unique cultural e-commerce strategies.

## **CURRENT STATE OF CHINA'S E-COMMERCE**

The China Internet Network Information Center (CNNIC) in January 2002 claimed that the number of Internet users in China had reached 33.7 million, with 6.72 million using leased lines and 21.33 million using dial-up connections. The “Statistical Report on Internet Development in China” said the number of users accessing the Internet via both means was only 5.65 million. Additionally, another 1.18 million people were connected through appliances such as mobile telephones and various home information appliances.

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