E-commerce internet shopping

Is e-commerce boundary-less? Effects of individualism-collectivism and uncertainty avoidance on internet shopping.

Abstract:

Regardless of the unusual growth of internet during the last few years, the enormous business potentials of the internet remain largely untapped. There is a general observation that with the internet, national and international boundaries should become irrelevant when engaging in business exchanges. There exist two national cultural dimensions, individualism-collectivism and uncertainty avoidance and their interaction that influences internet shopping rates across a wide spectrum of countries. For countries lower in uncertainty avoidance, individualistic cultures show higher internet shopping rates than do collectivist cultures. Implications for national and internet firm-level web design strategies are discussed.

Problem Statement:

Is e-commerce boundary-less? Effects of individualism-collectivism and uncertainty avoidance on internet shopping. Although the adoption rate of internet shopping is relatively high in the west, it is still generally unpopular in the east. In spite the promises of the greater global customer reach and potential profits; internet shopping adoption is still systematically affected by cultural differences. National wealth also contributes towards the adoption of internet shopping, because money is needed for necessary internet access infrastructure, subscription of internet services, and online purchases. Although national wealth alone cannot account for the vastly different internet shopping rates among high gross GDP countries. The adoption of

internet shopping is jointly effected by a set of contextual factors i. e. national income and educational level as well as two major cultural factors, namely, individualism-collectivism and uncertainty avoidance.

Research Objectives:

The objective of this research is to find the effects of individualism-collectivism and uncertainty avoidance on internet shopping keeping under consideration the Internet shopping adoption rate, individualism index, uncertainty avoidance index, per capita GDP, educational level, unemployment rate, and crime rate.

Hypothesis 1: Internet shopping adoption rates are higher for countries with relatively lower uncertainty avoidance levels.

Hypothesis 2: Internet shopping adoption rates are higher for individualist than for collectivist countries.

Hypothesis 3a: For countries with high relatively high uncertainty avoidance levels, individualism-collectivism shows little impact on internet shopping rates.

Hypothesis 3b: for countries with relatively low uncertainty avoidance levels, the individualist countries show higher Internet shopping adoption rates than the collectivist countries.

Importance / benefit of study:

The importance of this study is that it addresses the issues and problems related to internet shopping and will also help in working around these issues

and problems. It will also help in the regulation of e-commerce activities in a proper and efficient manner.

Research Design:

Exploration: Quantitative.

The data was mainly collected from Global e-Commerce Report, Hofstede, World Fact book and United Nations Organization for Education, Science and Culture, Institute for statistics online base.

Data Analysis:

The dependent variable under observation is Internet shopping adoption rate by country. Internet shopping adoption rate is the percentage of internet users, who have bought goods or services during the past month. Data on internet shopping adoption rate were obtained from the Global e-Commerce Report of Taylor Nelson Sofres (2001). This report consists of data from 36 countries derived from interviewing a total of 42, 742 people.

The two independent variables are individualism index and uncertainty avoidance index. The data for both these variables was obtained from Hofstede, which includes 50 countries.

The control variables are per capita GDP, educational level, unemployment rate, and crime rate. The data for GDP and unemployment rate was collected from World Fact book, The International Monetary Fund (2001). Data for educational level was obtained from United Nations Organization for Education, Science and Culture, Institute for statistics online base. Data for

internet crime rate was derived from the total sum of the number of offences contained in national crime statistics and major categories of reported crime in each of the Interpol member countries.

Nature and Form of Results Schedule:

The results which can be concluded from the whole study are:

Higher the income levels of a country, the higher the internet penetration rate. It can also be concluded from the case that taking income into consideration, educational level, unemployment rate, crime rate, and economic growth rate do not significantly affect internet penetration. Internet shopping adoption rate is negatively correlated with uncertainty avoidance, but positively correlated with individualism-collectivism. The relationship of uncertainty avoidance with internet shopping adoption is not as strong as expected, and is not significant.

All the results support our hypotheses. National income plays a very important rate in both internet penetration rate and adoption rate of internet shopping. It can also be said that whether it is online or offline shopping, the higher the income level, the higher the purchasing power.

Cultural factors also play an important role in affecting internet shopping behavior, over and above the effect due to national income and educational levels. Internet shopping is still at its infancy for some countries. The result also support that dimensions of national culture affect internet shopping rate. The national government level, macro level policies that are designed

to suit the local culture can be implemented to stimulate the adoption of internet shopping.

Facilities and Resources:

The resources of this case study are Global e-Commerce Report, Hofstede, World Fact book and United Nations Organization for Education, Science and Culture, Institute for statistics online base.

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