Chapter XVII

The Internationalization Efforts of Small Internet Retailers

Anand Ramchand
National University of Singapore, Singapore

Shan-Ling Pan
National University of Singapore, Singapore

ABSTRACT

For the Internet retailers that have managed to dominate through the dot.com fallout, the next step for many is to leverage the technology to expand their operations to a regional or global customer base. However, the internationalization of e-tail differs significantly from traditional retail because of the compounding effect of the Internet, and empirical studies are deficient in the field. This chapter studies the internationalization efforts of three small Internet retail enterprises, highlighting the issues they faced in expanding their operations to service an international customer base. The study reveals their insights and experiences in terms of access to foreign markets, infrastructure considerations, and localization strategies. Through an understanding of these issues, it is hoped that further research will shed light into the intricate relationship between internationalization and Internet retail and the factors that influence it.
INTRODUCTION

Technology has always been a key enabler of change in retailing. The Internet, in particular, has played a vital role as an enabler in the adoption and execution of global business strategies. It is relatively unheard of these days to find an organization that has not established some form of online presence. After all, the Internet has affected many fundamentals of business: the structure of value chains, payment mechanisms, the speed and efficiency of the supply chain, fulfillment and delivery execution, inventory management, the retail store, customer service, and consumer expectations (Hopping, 2000). In particular, the worldwide proliferation and advances in Internet and e-commerce technologies have led to new paradigms in retailing. Power has shifted from the retailer to increasingly demanding consumers, who are further changing the face of retail by rapidly adopting the Internet into their mainstream.

This global growth of Internet usage and e-commerce technologies has led to greater opportunities for consumers and retailers worldwide. For consumers, the availability of detailed and relevant information, ease of use, convenience of access, added variety, and lower product, transaction, and search costs, warrant the use of the Internet as a medium for shopping. Likewise, for retailers the relative ease of setting up shop, lower overhead, property, and stock-keeping costs, the ability to disintermediate, and the global reach to consumers justify the decision to adopt the Internet as a channel or medium for retail (Kalakota and Whinston, 1996; Turban, Lee, King and Chung, 1999; Rosen and Howard, 2000).

For the many Internet retailers (e-tailers) that have managed to hold their own on the Internet, one of the next opportunities is to increase their reach. The use of the Internet eliminates geographical boundaries, and the lure of cheap and easy access to an expanding Internet customer base is too great an opportunity to ignore. Statistics (IDC, 2000; Ernst and Young, 2001) indicate international Internet users do not only purchase certain goods online, but also are willing and able to do so from foreign e-tailers as well. Organizations that do not market to international users are ignoring potential revenue streams. Furthermore, internationalization can be a strategic necessity, due to local and global competitive pressures, as well. Locally successful e-tailers must, therefore, begin to consider the importance of the global market in their operations, if they wish to continue to grow.

However, the internationalization of retail on the Internet can be tricky, and demands more than simply extending fulfillment structures. Corporate hesitation toward internationalization, because of implementation difficulties, has been one of the key barriers to more companies going global (IDC, 2000). Moving into foreign markets can be just as complicated for e-tailers as it is for traditional retailers. A sound internationalization strategy for Internet retailers should incorporate the
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