The growth of the Internet has been commercially explosive over the past twenty years, which subsequently has led to the ever-evolving, ever-expanding e-commerce and m-commerce business markets. E-commerce is the type of business that delivers services and products over electronic based systems through marketing, distribution, buying, and selling. M-commerce is the specific delivery of e-commerce capabilities right to the consumer’s hand, typically to smartphones and tablet devices that use wireless connectivity. To gain a better understanding of global strategy, the possible challenges and potential pitfalls of global expansion were researched. This research includes the geographical problems, laws and taxation, and cultural differences associated with global commerce.

**Keywords**: global strategy, culture, taxation

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**Introduction**

As the Internet grew in popularity throughout the mid-1990’s, into the 2000’s, there was a dot-com boom. Many businesses tried their luck at transitioning some or even all of their brick and mortar companies into the digital domain. Some companies were successful, while others were not. But one thing was apparent, the Internet and the electronic landscape continued [and still continues] to expand rapidly. Modern companies can successfully transition their current businesses into electronic commerce by addressing the potential challenges that they may face. These challenges are designing and implementing a global infrastructure, factoring in time and distance for product and service delivery, managing international tax laws, and being sensitive to cultural differences (Stair & Reynolds, 2012).

**Infrastructure Challenges**

The first global challenge, and arguably one of the greatest challenge, is designing an electronic infrastructure that will support the entire business. When companies are planning an infrastructure solution, the business proposal should include high-speed connections to networks, e-commerce software packages, enterprise server software, server operating systems, and web server hardware (Stair & Reynolds, 2012). High-speed connections are required to provide reliable interconnectivity between each of the business units—for instance, each of the business sections will be connected to one another. Without high-speed connections, e-commerce and m-commerce businesses could suffer delays or outages of services; the older, dial-up connections are considered unsuitable for modern electronic infra-
structures (Gray & Zappalà, 2006). The Global E-Commerce Delivery Report 2012 states that building a solid infrastructure is required for an e-commerce business to be prosperous (PR, 2013). Once the high-speed connections have been added to the implementation strategy, various types of e-commerce software must be evaluated. E-commerce software can offer many practical services that will add value and contribute to the success of an online business model. For example, e-commerce software can provide product and service tracking, inventory management, website statistics, customer support, along with a plethora of merchant features and functionality (Stair & Reynolds, 2012). There is also a need for enterprise server software. Enterprise systems, such as enterprise resource planning (ERP), allow for consistency in supply chains, order processing, inventory, and customer relationship management; enterprise systems also reduce wasted time and human error (Stair & Reynolds, 2012). Frequently, the enterprise functionality is facilitated through creating and maintaining a database, which in turn saves the company money, and ultimately better serves the needs of customers by improving delivery times and reducing overall costs (Stair & Reynolds, 2012). Two final important elements in creating an electronic infrastructure are installing server operating systems and web server hardware. Server operating systems and web server hardware provide an environment where the electronic business will reside. When designing the infrastructure, the power and performance of the operating systems and web hardware should be factored into the global business plan. Additionally, the operating systems and web hardware must fall within the budget requirements as well as performing well-enough to meet customer expectations. Once each of the infrastructure items have been addressed, time and distance should be considered.

**Time and Distance Challenges**

As important as infrastructure is to the overall success of e-commerce and m-commerce, companies must also include time and distance in the global business plan. The time and distance of product and service delivery can either make or break a company. Lengthy delivery times and long distances can disrupt product and service delivery by creating communication problems all along the supply chain (Stair & Reynolds, 2012). Additionally, maintaining products and services across longer distances can be extremely expensive (Gray & Zappalà, 2006). Due to the competitive nature of the global marketplace, businesses are being challenged to not only reduce costs, but to also decrease the amount of time it takes for the product or service to reach market (Kuo-Pin & Graham, 2012). Thus, anticipating and factoring in time and distance is essential to the overall success of implementing a global strategy.

**Law and Taxation**

Businesses in the United States have to comply with individual state tax laws. And, just like states have the ability to pick and choose what is taxed and what is not, a country determines its tax laws. Before businesses expand their enterprises into foreign countries, part of the exploratory business process should be examining the tax laws that will influence the design and implementation of an online commerce strategy. Additionally, trade agreements may have to be considered when creating the global business strategy (Stair & Reynolds, 2012). A good example of an international tax law that can affect a business’ bottom line is a value added tax, more commonly referred to as VAT (Basu, 2007). Value added taxes are a type of consumption tax and are different for every country. Recognizing that each country has a distinct VAT, and how the VAT will affect the overall prices of products and services, is a particularly important part of implementing a global business strategy. As a point of reference, the percentages of VAT are indicated in a readily available online report, the ATA Carnet Export; for example, South Korea has a 10% VAT (USCIB, 2013). Obviously, a levied 10% VAT on a
Examining Challenges Associated with Global Commerce

distributed product or service can be significant. Therefore, understanding how international taxes affect online commerce is essential to creating a successful global business strategy.

Cultural Challenges

It is important to note, that once infrastructure, time and distance, and taxation have been incorporated into the global business strategy, there is one final, critical component that must be examined—and that is culture (Stair & Reynolds, 2012). Not considering a country’s culture in the overall business strategy can result in violation of local ethical or international trust positions, lost sales and services, or allow distrust to escalate among the local communities (Rodgers, 2010). Petrović and Kovačević (2012) state that the National Statistical Office for 2011 found that 56% of Serbian non-Internet users reported that they did not use the Internet, due to the possibility of fraud. This has hindered e-commerce in Serbia (Petrović & Kovačević, 2012). This example expresses one apprehension from the citizens of Serbia, which is fear of fraud. The question is raised, “How does this fear relate to their culture?” Upon further examination of Serbian culture, distrust is quite engrained in the daily lives of Serbian society. For instance, the Serbians have a 2.5%-26% level of confidence in their justice system, whereas the world median is 53.2% (Petrović & Kovačević, 2012). Clearly, if the assessment of culture had been omitted from the global business strategy, sales and services would have been negatively affected by the distrust exhibited by the Serbian people. Thus, adding culture to the global business strategy could quite possibly be the most import component when successfully transitioning brick and mortar companies into the global, digital world.

Conclusion

Transforming brick and mortar businesses into electronic enterprises poses certain challenges. Companies can successfully move to an online model by creating a global business strategy that recognizes and addresses the four main challenges of migrating to a global, online model. The four main components for building a successful global strategy are: (1), Building a solid infrastructure that will connect each of the business units, and give the company a place to reside in the digital medium; (2), Factoring in the time and distance that it will take products and services to reach customers to remain competitive; (3), Understanding how international tax laws affect the prices of products and services; (4), Recognizing that a country’s culture can influence the distribution and sales of products and services. If companies include and address each of these matters in their global business strategies, they can successfully transition brick and mortar companies into the world of electronic commerce.

References


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Eddie Jackson is a computer systems engineer, working for the Kaplan, Inc. Information Technology Department. His credentials include over 30 computer and network certifications, a B.Sc. degree in Liberal Studies (2013) and a M.Sc. degree in Information Technology Security Assurance (2015). His discipline in the field of technology has been recognized by multiple companies and employers, where he has been nominated and presented with numerous awards. Over the years, he has written hundreds of technical documents, authored white papers, and created training videos in the areas of computer science and information technology. Mr. Jackson’s professional career started in 1994, where he worked for an ISP, which was founded several years before the dotcom era began. He transitioned into network administration, and eventually into desktop engineering, which would later evolve into computer systems engineering. Over the years, he has pioneered scripts and applications to automate thousands of server and desktop processes. His knowledge and professional research span a wide-range of technology topics, including software programming, encryption, mathematics, databases, and the maintenance and administration of technology-based systems. Mr. Jackson has recently moved into research and development in gamification and artificial intelligence, using the principles of Bayesian Statistics.

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Notes
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