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Cross-national variation in consumers' retail channel selection in a multichannel environment: Evidence from Asia-Pacific countries

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ABSTRACT

This study examines the impact of cross-national variation in culture on the selection of retail channels in a multichannel environment in eight Asia-Pacific countries. In contrast to the prior literature, which examined the intention to purchase through online channels, we study the actual purchase decisions made by consumers by comparing online and telephone channels. We adopt Hofstede, Hofstede, and Minkov's (2010) six cultural dimensions (power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity, long vs. short-term orientation, and indulgence vs. restraint) to examine the impact of cross-national variation in culture on online vs. telephone retail channel selection. The empirical findings suggest that countries with high uncertainty avoidance and long-term orientation are less likely to adopt online channels rather than telephone channels, whereas countries with high individualism, high masculinity, and high indulgence are more likely to adopt online channels. These findings highlight the importance of cross-national variation of culture on retail channel selection.

1. Introduction

Emerging market economies have become the center of global economic activity, and they constitute half of the world's GDP (Economist, 2013). Among these economies, the Asia-Pacific region is the most dynamic, with 23% of the world's middle-class consumers (Kharas, 2010) and a retail sector worth US\$ 9 trillion (PWC, 2015–2016). Therefore, there is a heightened interest from companies with regard to accessing the Asia-Pacific consumer market (Schmitt, 2014, 2015). One of the key features of the Asia-Pacific retail industry is the rise of online retailing, amounting to US\$ 877 billion (eMarketer, 2016). This has resulted in companies complementing their offline outlets with online retail channels to reach tech-savvy Asian consumers.

However, despite the rapid growth and potential of emerging online retail channels, there is a limited understanding of the determinants of consumer selection of online channels in conjunction with conventional brick-and-mortar stores (Dholakia & Zhao, 2010; Neslin et al., 2006; Verhoef, Kannan, & Inman, 2015). Moreover, the diverse nature of the Asia-Pacific region characterized by its different stages of economic development, growing consumer market, and rate of technology adoption and consumer culture has made it more difficult to understand consumer behavior in this region (Schmitt, 2014, 2015). Therefore,

understanding the determinants of consumer retail channel selection is crucial in understanding consumer behavior within this region. Considering that culture plays an influential role in consumer behavior, including retail channel selection in cross-national contexts (De Mooij & Hofstede, 2011; Dimitrova, Rosenbloom, & Andras, 2016; Soares, Farhangmehr, & Shoham, 2007; Zhang, Beatty, & Walsh, 2008), it is imperative to study the role of cross-cultural differences in the selection of retail channels in a multichannel environment to improve our understanding of consumer behavior in general and retail channel selection in particular.

In this study, we address the impact of cross-national variation in culture on consumer retail channel selection by focusing on two technology-mediated channels, online and telephone shopping channels, in eight countries in the Asia-Pacific region. The telephone channel shares many similarities with offline channels in terms of its effectiveness with regard to customer communication and feedback (Gensler, Dekimpe, & Skiera, 2007; Maruping & Agarwal, 2004; Seck & Philippe, 2013; Van Birgelen, de Jong, & de Ruyter, 2006). Although the majority of extant literature on this topic has examined the impact of culture on intention to purchase through an online channel, we examine the impact of culture on actual purchase through an online vs. telephone retail channel for a specific product. Moreover, although the impact of culture

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on the intention of retail channel adoption is primarily confined to studies comparing Asian and Western countries, our study provides significant opportunities to understand within-region variations. Specifically, we examine which cultural factors affect the adoption of online retail channels as compared to telephone channels in the purchase decision of personal computers (PCs) within the Asia-Pacific region. We use Hofstede et al. (2010) cultural dimensions—power distance, uncertainty avoidance, individualism–collectivism, masculinity/femininity, long-term vs. short-term orientation, and indulgence vs. restraint—to examine their impact on actual purchase of PCs in Australia, China, Hong Kong, India, Japan, South Korea, Malaysia, New Zealand, and Singapore.

The findings of the study relating to the impact of culture on within-region adoption of online vs. telephone channels will provide a detailed understanding of the consumer channel selection behavior within the Asia-Pacific region. First, this study will identify which dimensions of culture affect the adoption of online channels as compared to telephone channels in a multichannel environment. This has implications for multinational enterprises (MNEs) increasing their awareness of the influences of the specific aspects of cultural dimensions on consumer retail channel selection. Second, the emphasis on the differences within the Asia-Pacific region, which were mostly ignored in prior literature, may provide a deeper understanding of this dynamic region beyond the East-West comparison. According to Schmitt (2015), if we conduct cross cultural research within Asia rather than engaging in ‘East-West comparison,’ we may contribute to developing yet another important theoretical and methodological issue. By focusing on the within-region variation in the Asia-Pacific region, this study demonstrates the convergence and divergence in consumer behavior across the Asia-Pacific region in the context of retail channel selection. This study therefore contributes to the growing body of literature on variations in consumer behavior within Asia-Pacific region (Shukla, Singh, & Banerjee, 2015).

Based on the above context, the paper is organized as follows. The following section provides our conceptual background on the determinants of retail channel adoption in multichannel retail environments. We then provide the rationale and hypotheses for the impact of culture on the adoption of online vs. telephone retail channels. The subsequent section describes the data, empirical context, and methods followed by the empirical findings. The study concludes with a discussion of the results and practical implications.

2. Conceptual background

2.1. Retail channel selection in a multichannel environment

The selection of retail channels is one of the important decisions consumers make when they purchase a product or service. Selecting a retail channel involves searching for information on the product, evaluating alternatives, and making a purchasing decision regarding the product (Ansari, Mela, & Neslin, 2008). Considering the availability of a diverse set of retail channels (e.g., traditional retail stores, online stores, catalogues, sales forces, third-party agencies, call centers), consumers display complex purchasing behavior when selecting retail channels. While some consumers may conduct all purchase-related activities in one channel, others may use multiple retail channels. For example, consumers may use online channels for information searches, visit a retail outlet to view and examine their possible options, and then order the product via telephone (Ansari et al., 2008; Balasubramanian, Raghunathan, & Mahajan, 2005). Such complexity increases in the context of multichannel environments, where a vendor offers products through multiple channels. Considering such complexities, existing research has identified influential contingency factors of channel choice, rather than developing a comprehensive model that explains preferences for certain channels over others.

Neslin et al. (2006) identified six basic determinants for customers' channel choice: marketing efforts (e.g., e-mails, catalogues, and various

promotions), channel attributes (e.g., ease of use, price, privacy, security, and information quality), social influence (subjective social norm), channel integration (ease of moving between channels), situational factors (physical, social, and temporal settings), and individual differences (demographics and prior experience). Balasubramanian et al. (2005) identified economic goals (i.e., utility derived from the goods less the cost of obtaining them), self-affirmation (i.e., positive and desirable traits such as thrift and expertise), symbolic meaning of the purchase (e.g., a gift), social influence (i.e., preference for open and physical socialization vs. anonymous socialization), and the consumer's channel script or schema as the important determinants of channel selection. Recently, Trenz (2015) classified the determinants of channel selection into four groups: channel determinants (e.g., characteristics and configuration of channels), purchase specifics (e.g., product categories and purchase size), external influences (e.g., social influences), and individual differences (e.g., demographics). A majority of empirical studies examine the specific aspects of channel selection by focusing on channel-specific determinants such as ease of use, required purchase effort, and convenience (Kollmann, Kuckertz, & Kayser, 2012); possibility to negotiate (Verhoef, Neslin, & Vroomen, 2007); perceived service quality (Montoya-Weiss, Voss, & Grewal, 2003; Pavlou & Fyngenson, 2006; Verhagen & Dolen, 2009); risk, privacy, and security (Pavlou & Fyngenson, 2006); and payment options (Chiang, Zhang, & Zhou, 2006). The findings of the studies suggest that while ease of use, low purchase efforts, and increased convenience lead to the selection of online channels (Chiang et al., 2006; Frambach, Roest, & Krishnan, 2007; Kollmann et al., 2012), price expectations (Brynjolfsson & Smith, 2000), risk aversion (Dholakia, Zhao, & Dholakia, 2005), perceived risk, and privacy and security concerns restrict consumers from selecting online channels (Pavlou & Fyngenson, 2006).

In order to address the consumer-centric viewpoint (Dholakia & Zhao, 2010), some studies have focused on the role of attitudes and subjective norms and their interrelationships on the adoption of online channels (Ajzen, 1991; Keen, Wetzels, & Feinberg, 2004; Pavlou & Fyngenson, 2006; Verhoef et al., 2007). While these studies have primarily focused on the individual attitude and behavior, the impact of social influence on addressing the role of culture, beliefs and value systems, and social norms on channel selection has not been examined adequately, especially in a cross-national context (Johnson, 2008; Keen et al., 2004; Verhoef et al., 2007). Marketing researchers have recognized the important influence of culture on consumer behavior in general (Cleveland & Laroche, 2007; De Mooij & Hofstede, 2011; Huff & Smith, 2008; Soares et al., 2007) and retail channel selection in particular (Dimitrova et al., 2016; Luna & Gupta, 2001). These studies argue that culture affects consumer behavior directly at a societal level and indirectly by influencing the self-identity, personality, and attitudes of individuals together with their social and cognitive processes that shape their behavior (De Mooij & Hofstede, 2011). Considering the differences in culture across nations (Hofstede, 2001; Hofstede et al., 2010), it is imperative to understand the impact of cross-national differences in culture on retail channel selection in a multichannel environment.

The role of culture is particularly important when examined in the context of online and offline channels, given the important distinctions between them. Although information availability is higher through online channels, the credibility of the information; anonymous consumer interactions; lack of mechanism to determine the product's physical attributes (Jarvenpaa & Tractinsky, 1999; Trenz & Berger, 2013); security concerns about the technology used in the payment method (Turban, Lee, King, & Chung, 1999); privacy concerns regarding personal information leads to increase in the perceived risk (Pavlou, 2003; Tan, 1999) and lack of trust which discourages consumers to select online channel (Pavlou, 2003; Pavlou & Chai, 2002). In the cross-cultural context, consumer perception of information availability and credibility, uncertainties and risk associated with the online channel may differ, influencing their retail channel selection. In this study, we compare the consumer selection of online and offline channels in cross cultural context. We conceptualize the telephone channel

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