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Selling digital services abroad: How do extrinsic attributes influence foreign consumers' purchase intentions?

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ABSTRACT

This article investigates, through the country-of-origin effect and value-in-use lenses, how the implementation of digital services creates opportunities for cultural industries to expand internationally. We argue that intrinsic attributes of cultural content such as the capacity to entertain are difficult to parameterize because they are somewhat experiential and subjective. This means that extrinsic cues are essential to foreign consumers when making a decision to purchase digital services. We specifically evaluate the influence of Britishness, cultural distance, exoticness, brand image, and flag-brand congruence on the purchase intentions of consumers in foreign markets. This study employs a unique consumer dataset with information on the internationalization of British cultural digital services. The depth and breadth of the survey data collected through collaboration with a UK media industry partner with a globally recognised brand is significantly richer than data used in previous studies. In particular, the study exploits a survey with 5,200 usable data points from consumers residing in fourteen geographically dispersed countries. Findings support theoretical predictions that Britishness, cultural distance, exoticness, brand image and flag-brand congruence are positively linked to the purchasing decisions. Theoretical and managerial implications are discussed.

1. Introduction

A success factor for internationalisation strategy is understanding the attitudes that consumers from different countries have towards foreign products or services (Netemeyer, Durvasula, & Lichtenstein, 1991). Previous research has extensively analysed how Country-of-Origin (CoO) influences the purchasing decision of consumers in international markets, providing a comprehensive understanding on how the 'made in' label of products and non-digital services affects consumers' decision to purchase in globalized markets (Balabanis & Diamantopoulos, 2011; Bloemer, Brijs, & Kasper, 2009; Melnyk, Klein, & Völckner, 2012; Pappu, Quester, & Cooksey, 2007; Pharr, 2005; Veale & Quester, 2009). However, literature seems to be silent on the assessment of the CoO in the context of digital services in cultural industries. This study addresses this gap in knowledge by theoretically identifying and empirically testing the relationship between various extrinsic factors of culturally-based digital services and the purchasing intentions of foreign consumers.

The growth in information and communication technologies has opened a new revenue stream in cultural industries. Firms sell content in the form of downloads or subscriptions over the internet, a revenue stream that is referred to as digital services (Vendrell-Herrero, Bustinza, Parry & Georgantzis, 2017). Digital services coexist with other revenue streams such as physical products (e.g. books, DVDs, and CDs) or non-digital services (e.g. theatre, concerts, and exhibitions). The experience in the consumption of digital services is similar to the experience of products, but technology can enhance the value of digital services relative to products (Parry, Bustinza and Vendrell-Herrero, 2012). This means that digital services can substitute for products and, in fact, current trends indicate that there is a replacement of products by digital services (Peltoniemi, 2015). However, the experience of consumption of non-digital and digital services is totally different and that is why those revenue streams are considered, to some extent, as complements (Papies & van Heerde, 2017). The international business community has not extensively researched the internationalization of digital services, and we contend that this is an important gap, because selling digital

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services abroad is different to selling products and non-digital services.

We argue that digital services are different to products for four reasons; two of them also differentiate digital services from non-digital services. First, digital services produce a paradigm shift in the customer-producer relationship where physical items are replaced by intangible software, and value is realized only in the process of consumption, moving the focus of value from value in exchange to value-in-use (Vargo & Lusch, 2004). The consumer judged the physical object to be of value at the point of exchange, before the phenomenological experience. In contrast, in the digital space there is no exchange token, so the value of a subscription service is only apparent to the consumer at the point of phenomenological experience. Second, whilst physical products intrinsic cues can be parametrized, this is infeasible for intangible digital services. It is not possible to provide objective parameters for culturally-based services as the judgement depends on consumers' experience (Vargo & Lusch, 2008). This means that the enjoyment of culturally-based digital services are somewhat subjective and consumers examine extrinsic attributes such as the actors/authors/producers (brand), or the location of production such as USA or UK etc. (CoO) to make their purchase decision (Fandos & Flavián, 2006; Glückler & Sanchez-Hernandez, 2014; Srinivasan, Jain, & Sikand, 2004). The third differential characteristic of digital services is that the replicability of the service is effectively free since marginal and transport costs are close to zero, reducing costs involved with the management of stocks and logistics (Blum & Goldfarb, 2006). Fourth, digital services are non-excludable (Barwise & Picard, 2015; Owen & Wildman, 1992). In contrast to products and non-digital services, the open nature of digital content means that many people can receive a digital service without concurrently reducing the availability of that service to others. Free replicability and non-excludability conceptually differentiates digital services from non-digital services and products. These last two underlying characteristics of digital services are precisely the ones that facilitate their global spread.

An additional contribution of this research is that we consider the role of key moderating variables with the objective of better understanding the complex relationship between CoO and foreign consumer purchasing intentions of digital services. While previous studies have analysed company-specific and product-specific moderating variables (Phar, 2005), the work presented here is novel as we introduce a country-specific variable: cultural distance. Cultural distance is a moderating variable that is particularly relevant as it provides a measure of the 'exoticness' of culturally-based digital services. Exoticness is an extension of the Cultural distance concept, and relates to the consumer's perception of attractive foreign cultural content. As in previous studies based on the orthogonality perspective, we incorporate brand image into the analysis as a company-specific moderating variable (Diamantopoulos, Schlegelmilch, & Paliawadana, 2011; Tse & Gorn, 1993) where company brand image and CoO are expected to have independent and compensatory influences on buying intentions. We argue that foreign consumers' intention to purchase digital services will be enhanced when flag (CoO) and brand (image) are congruent.

Context selection is an additional important contribution of this study. Extrinsic attributes that influence foreign consumer purchasing decisions are investigated in the context of the internationalization strategy of a globally well-known and trusted multinational television firm that offers entertainment and cultural content via digital channels around the world. The study takes the UK as the 'home' nation and provides an interesting context as television broadcasting has seen a dramatic rise in competition over the past twenty or thirty years (Starkey, Barnatt, & Tempest, 2000). Competition is further heightened as television broadcasters funded by public funds have been impacted by the effects of the economic crisis resulting in budget cuts (Froud, Johal, Leaver, Phillips, & Williams, 2009). Broadcasters orientated towards high quality content creation (Connolly, Hanretty, Heap, & Street, 2015) have sought additional revenues through internationalization strategies that employ various forms of digital services.

The television broadcasting context provides grounds for a natural experiment, analysing the internationalization of digital services in numerous countries at the same time. As the UK is the 'home' country for this study we operationalize a unique CoO measure for British media services that we name 'Britishness'.

A final input of this research is the empirical setting. The importance and robustness of the empirical design and the results obtained are evidenced by the fact that we use a large and representative dataset with 5200 usable data points obtained from an online survey conducted in 2013 in collaboration with our industry partner. The approach represents an additional contribution as the depth and breadth of the data is superior to previous studies analysing the CoO effect of physical products (Balabanis & Diamantopoulos, 2011; Godey et al., 2012; Jin et al., 2015; Lee, Chen, & Guy, 2014; Wang, Li, Barnes, & Ahn, 2012), and the number of countries analysed is larger than most international business studies using surveys (Chidlow, Ghauri, Yeniyurt, & Cavusgil, 2015).

The paper is structured as follows: in the next section we develop the theoretical framework and empirical hypotheses. Then we present the methodology and describe the nature of the data. In section four we present the results of the various binary choice models estimated. Discussion and conclusions with an emphasis on managerial implications close the work.

2. Theoretical background

2.1. Culturally-based digital services

2.1.1. Definition

Peltoniemi (2015, p. 41) defines cultural industries as "those that produce experience goods with considerable creative elements and aim these at the consumer market via mass distribution. The creative elements consist of stories and styles and they serve the purposes of entertainment, identity-building and social display. Mass distribution refers to storage and delivery where economies of scale play an important role". In light of this definition, cultural industries employ a Business-to-Consumer (B2C) approach and include motion picture, music, books and magazines publishing, television and radio, fashion and video games.

Cultural industries are implementing digital technologies to enhance their competitiveness. According to Parry et al. (2012), there are two digital business models categorized with the general heading culturally-based digital services that are becoming successful and popular in cultural industries: streaming/subscription and downloads. Examples of the first are Apple Music and Spotify in the music industry, Netflix in motion picture, and television pay-per-view and monthly subscriptions. Examples of downloads are ebooks in the publishing industry and iTunes in the music industry.

Digital applications are changing society, underpinned by the idea that digitalization is becoming "the new normal" (Hinssen, 2010). Digital content supports the increasing use of digital applications and devices by individuals and firms that facilitate access to cultural content enhance consumer's consumption experience. Digital services are measured primarily as quantity sold, rather than the margin obtained, and hence firms seek to rapidly expand their offer to foreign markets to secure higher market shares (Tran, Yonatany, & Mahnke, 2016).

The success of internationalised digital services in practice depends on the extent to which firms understand what their customer wants, how the value proposition is delivered, and ways to capture value and make a profit (Teece, 2010). The digital transformation is re-shaping supply chain interdependency, consumer preferences and consumption patterns (Bustanza, Parry, & Vendrell-Herrero, 2013; Vendrell-Herrero et al., 2017). Changes in consumption patterns are affecting the core conceptualization of value, an area that needs to be re-examined.

2.1.2. A value perspective

From a value perspective we find four main reasons that

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