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Matthias Schu

Online Growth Options for Retailers

Three Essays on Domestic and International Growth Strategies with Online Retailing

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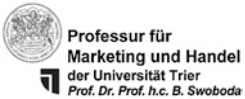

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Online Growth Options for Retailers

Three Essays on Domestic and International Growth Strategies with Online Retailing

With a Foreword by Professor Dr. Dirk Morschett

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Matthias Schu
Fribourg, Switzerland

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Foreword

Growth options have been a hot topic in retailing for a long time. However, the emergence of online retailing changed the industry completely. The appearance of online channels since the early 1990s is one of the most striking developments of the last decades. For bricks-and-mortar retailers and also for wholesalers, it poses a major threat, because market shares are shifted to the internet. At the same time, it poses an opportunity because store-based distribution companies can open online shops themselves; thus, use this new format for a growth strategy.

Furthermore, many online shops have been observed to internationalize within a short period after their inception. It is likely that the internationalization of online retailers is different from that of traditional retailers – in speed but also in which foreign markets are selected.

In his thesis, Dr. Matthias Schu approaches existing research gaps and in three separate studies, he addresses several worthwhile research questions:

- What determines the intention of store-based retail and wholesale companies to open up an own online channel? In a first study, the author investigates the antecedents of the establishment of online shops by small retail and wholesale companies. Based on the technology acceptance model, he looks into some rational aspects, e.g. the perceived ease of establishing an online shop. But more important, by applying a neo-institutionalist perspective, the author shows that imitation behavior and perceived peer pressure also exert a strong effect. Distribution companies establish online shops because others do the same and because they want to fulfil the expectations of relevant others – not only customers but also peers from the industry.
- Which factors determine the foreign market selection behavior of online retailers? In a second study, Dr. Matthias Schu investigates influence factors on the decision which markets are selected by online retailers in which order. An interesting tension that is discussed in this study is the question whether the world has really become “flat” – as it is sometimes argued, in particular for the internet economy – or whether cultural and geographic distance still matter for companies, even for online shops. The author shows that distance is still relevant and more distant markets get entered later than closer markets. However, path-dependency with regard to cultural distance, a so called “psychic distance chain” that has been shown for many other companies, is not confirmed. Dr. Matthias Schu proposes a good explanation for this.

- Which factors affect the internationalization speed in the internationalization process of online retailers? In a third study, based on a unique sample of 150 online retailers of which the internationalization paths over 19 years were reconstructed, the author investigates the determinants of the duration between two internationalization steps of an online retailer. This study is based on the born global literature and applies it to online retailers. Of particular interest is the imitability of an online shop. The author shows that medium levels of imitability of the online shop lead to the highest internationalization speed while low levels of imitability and high levels of imitability slow down the internationalization.

With his thesis, the author provides several new insights for retail research and management. He investigates the growth through online shops in two strategic directions – by establishing a new online channel besides the existing bricks-and-mortar stores and by internationalization of an existing online shop. The studies contribute to our knowledge and the book is valuable not only for academic researchers but also for practitioners who are interested in a thorough analysis of online retailing from a strategic and theoretical perspective.

I had the pleasure to work with Dr. Matthias Schu as supervisor for his thesis for several years at the Chair for International Management of the University of Fribourg. I am glad to see the result of this intensive work in such an interesting publication and sincerely congratulate Dr. Matthias Schu for it.

Professor Dr. Dirk Morschett

Acknowledgements

GTD! Getting things done! After 5 years of research and writing, I am happy and proud to have finished my doctoral thesis with its defense in September 2016 at the University of Fribourg/Switzerland and the acceptance of all my research papers in peer-reviewed journals. Three of them are part of this study. I had the pleasure to go through an intensive and eventful time, filled out with coaching and teaching students, realizing consulting projects in the retail and especially e-commerce sector, as well as doing research. My scientific journey and the writing of this thesis would not have been possible without the unconditional support, motivation and love of several people.

First of all, I'd like to thank my supervisor Prof. Dr. Dirk Morschett for his support throughout the whole process of writing this doctoral thesis. Besides working at the Chair for International Management (University of Fribourg) and gaining experience in teaching and coaching, he gave me the opportunity to get in touch with the scientific community on conferences on the one side, and through consulting and projects in retailing, ecommerce and management with practitioners in Switzerland and Europe on the other side in order to develop the idea of this doctoral thesis and growing my network. Furthermore I'd like to thank Prof. Dr. Hanna Schramm-Klein (University of Siegen) for fruitful discussions, encouraging words and profound conversations, as well for co-authoring some of my publications.

I also wish to thank my second supervisor Prof. Dr. Philippe Gugler and Prof. Dr. Olivier Furrer (both University of Fribourg) for their support and being part of my defense committee.

A big thank goes as well to my further co-authors for publishing and doing research together, namely, Prof. Dr. Bernhard Swoboda (Trier University), Dr. Gerry Wagner (University of Siegen), as well as Prof. Dr. Zentes (Saarland University) and his team.

Moreover, I'd like to thank my colleagues from the Chair for International Management for their collaboration and the time together, namely Annett, Marta and Andrea.

There are not enough words to express my gratitude towards my friends and family. Thanks a lot, Christopher, Petra, Phillip and Priska for lunch and coffee talks. Peter for our climbing sessions after work in the Murtetörli. Allie and Juno for expanded walks in the woods and the mountains. Caro for culinary gourmet cooking delights. Mario and Alex for exploring the Swiss Alps. Sabine for a lot of motivating words during the last stage of writing. And Salomé for high climbs and deep dives.

Dr. Matthias Schu

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List of Abbreviations

AVE	Average variance extracted
B2C	Business-to-consumer
Bn	Billion
C&C	Cash and carry
CAGE	Cultural, administrative, geographic, economic
CEO	Chief executive officer
CR	Consistency reliability
E-commerce	Electronic commerce
EMS	Entry mode selection
EU	European Union
EUR	Euro
FDI	Foreign direct investment
FSA	Firm-specific advantage
IB	International business
IMS	International market selection
Int.	International
INV	International new venture
JV	Joint Venture
KBV	Knowledge-based view
KMO	Kaiser-Meyer-Olkin-criterion
LAN	Learning advantages of newness
LPI	Logistics performance index
M&A	Merger and acquisition
Mio.	Million
MNE	Multinational enterprise
MO	Market orientation
OECD	Organization for economic cooperation and development
OLS	Ordinary least squares
PEOU	Perceived ease of use
PLS	Partial least squares
PU	Perceived usefulness
RBV	Resource-based view
ROL	Rank-odered logit
SEM	Structural equation modeling
SME	Small and medium-sized enterprise
TAM	Technology acceptance model
TCA	Transaction cost approach
TMT	Top management team
VC	Venture capitalist

VIF	Variance inflation factor
Vs.	Versus
WFDSA	World federation of direct selling associations
WWW	World Wide Web

Part I: Introduction

1. Relevance and Focus

"As we enter the twenty-first century, business conducted over the Internet, with its dynamic, rapidly growing, and highly competitive characteristics, promises new avenues for the creation of wealth" (Amit and Zott 2001, p. 493). Established retailers, as well as newly risen pure players have discovered e-commerce as a means of doing business, with manifold reasons, e.g. as a way to improve efficiency, grow market share, expansion in new markets, or because online retailing is seen as essential for the long-term survival of the retailer (Ferguson et al. 2005). Indeed, the emergence of online shops has dramatically changed the retail industry over the last decade (Gartner Industry Research 2012; Verhoef et al. 2015).

Considering the growth of internet users worldwide (c.f. Table 1) within the last ten years, it is obvious that this remarkable increase will also affect the number of people buying online. Between 2005 and 2014, the number of internet users around the globe has almost tripled within a decade and increased by 186.82 %. Between 2014 and end of 2015, a further increase of 8 % is expected. Though, ⅔ of the present internet users are already originated in the developing world, just 34 % of households in developing countries have access to the WWW, compared with 81 % in the developed countries. On average, less than half of the consumers worldwide (approximately 46 %) have access to the internet (ITU 2015a, 2015b). These figures illustrate the actual meaning of the internet phenomenon, its speed and the still unexploited potential for online shopping.

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
No. of internet users	1,024	1,151	1,365	1,561	1,751	2,019	2,224	2,494	2,705	2,937	3,174

Note: * forecast.

Table 1: Number of internet users worldwide from 2005 - 2015 (in million people)

Source: ITU 2015b.

In terms of e-commerce, 1,200 million consumers worldwide have bought products online in 2014, corresponding to a stake of 41 % of worldwide internet users. This refers to a worldwide turnover of B2C e-commerce of EUR 1,462 bn in 2014. For 2015, an increase of approximately 20 % on EUR 1,760 bn is expected. Examining the global spread of e-commerce sales in 2014, the Asia-Pacific region generated a sales volume of EUR 580 bn, followed by Europe with EUR 423 bn and North America, accounting for EUR 394 bn. The rest of the world together accounts for EUR 65 bn of e-commerce sales (E-Commerce Europe 2015).

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Within the European economy, e-commerce accounts for 2.45 % of the European GDP, corresponding with total value of EUR 423 bn and approximately 10 % of the total retail turnover in many Western European countries (DPDHL 2014; E-Commerce Europe 2014b, 2015). Table 2 provides an overview on the top ten e-commerce countries in Europe in terms of retail turnover.

Year / Country	2010	2011	2012	2013	2014
United Kingdom	72.5	84.1	96.2	107.1	127.4
Germany	35.2	41.1	50.0	63.4	76.5
France	31.0	37.7	45.0	51.1	57.5
Russia	6.0	7.8	10.3	15.5	18.0
Spain	9.1	10.9	12.9	14.4	16.8
Italy	6.8	8.1	9.6	11.3	13.3
Netherlands	8.2	8.9	9.8	10.6	12.1
Austria	6.5	8.4	9.8	10.9	11.8
Switzerland	6.9	7.9	9.1	10.2	11.3
Turkey	3.0	4.8	6.6	8.9	10.0
Europe	220.9	262.5	310.0	363.1	423
EU28	194.1	228.7	275.0	318.1	365.7

Table 2: Top ten European e-commerce countries in terms of retail (B2C) turnover 2010-2014 in bn EUR

Source: E-Commerce Europe 2014b, 2015.

In 2014, approximately 645,000 different online shops have been doing business and have been responsible for the shipping of more than 3.7 bn parcels (E-Commerce Europe 2015). However, the European market for online shopping is not a uniform one, as the internet penetration rates show (c.f. Table 3); prerequisites are varying and the European market can be separated in three groups of countries, which are quite similar in its development (Stallmann and Wegner 2015)[1]:

- **Northwest-Europe**, containing inter alia the Scandinavian countries, Iceland, the United Kingdom, Ireland, France, the Benelux countries as well as Austria, Germany and Switzerland. This cluster is characterized trough high internet penetration rates and the internet is for many consumers an inherent part of daily living. People are quite familiar with online shopping as an established channel and, though the growth rates in e-commerce are still impressive, a beginning maturity of the markets is visible.
- **Southern Europe**, clustering countries like Spain, Italy, Portugal, or Greece, show still significantly lower internet penetration rates, but are currently on a constant wave of growth and will converge with the northwestern European markets in the

[1] For a more detailed overview on country characteristics within the European e-commerce landscape, see Stallmann and Wegner (2015).

long term. In doing so, these countries provide a huge growth potential for online retailers.

- **Eastern Europe** generally showed a remarkable growth within the last years in terms of internet penetration. However, huge differences are still recognizable. Whereas, e.g., the Czech Republic, Slovakia, Slovenia, Latvia, or Poland show a fast and solid growth, other eastern European countries, like Romania or Bulgaria still have a huge catch-up potential.

Year / Country	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	33.73	63.60	69.37	72.87	73.45	75.17	78.74	80.03	80.62	81.00
Belarus	1.86	16.20	19.70	23.00	27.43	31.80	39.65	46.91	54.17	59.02
Belgium	29.43	59.72	64.44	66.00	70.00	75.00	81.61	80.72	82.17	85.00
Bulgaria	5.37	27.09	33.64	39.67	45.00	46.23	47.98	51.90	53.06	55.49
Croatia	6.64	37.98	41.44	44.24	50.58	56.55	57.79	61.94	66.75	68.57
Cyprus	15.26	35.83	40.77	42.31	49.81	52.99	56.86	60.69	65.45	69.33
Czech Republic	9.78	47.93	51.93	62.97	64.43	68.82	70.49	73.43	74.11	79.71
Denmark	39.17	86.65	85.03	85.02	86.84	88.72	89.81	92.26	94.63	95.99
Estonia	28.58	63.51	66.19	70.58	72.50	74.10	76.50	78.39	79.40	84.24
Finland	37.25	79.66	80.78	83.67	82.49	86.89	88.71	89.88	91.51	92.38
France	14.31	46.87	66.09	70.68	71.58	77.28	77.82	81.44	81.92	83.75
Germany	30.22	72.16	75.16	78.00	79.00	82.00	81.27	82.35	84.17	86.19
Greece	9.14	32.25	35.88	38.20	42.40	44.40	51.65	55.07	59.87	63.21
Hungary	7.00	47.06	53.30	61.00	62.00	65.00	68.02	70.58	72.64	76.13
Iceland	44.47	89.51	90.60	91.00	93.00	93.39	94.82	96.21	96.55	98.16
Ireland	17.85	54.82	61.16	65.34	67.38	69.85	74.89	76.92	78.25	79.69
Italy	23.11	37.99	40.79	44.53	48.83	53.68	54.39	55.83	58.46	61.96
Latvia	6.32	53.63	59.17	63.41	66.84	68.42	69.75	73.12	75.23	75.83
Liechtenstein	36.52	64.21	65.08	70.00	75.00	80.00	85.00	89.41	93.80	95.21
Lithuania	6.43	43.90	49.90	55.22	59.76	62.12	63.64	67.23	68.45	72.13
Luxembourg	22.89	72.51	78.92	82.23	87.31	90.62	90.03	91.95	93.78	94.67
Netherlands	43.98	83.70	85.82	87.42	89.63	90.72	91.42	92.86	93.96	93.17
Norway	52.00	82.55	86.93	90.57	92.08	93.39	93.49	94.65	95.05	96.30
Poland	7.29	44.58	48.60	53.13	58.97	62.32	61.95	62.31	62.85	66.60
Portugal	16.43	38.01	42.09	44.13	48.27	53.30	55.25	60.34	62.10	64.59
Romania	3.61	24.66	28.30	32.42	36.60	39.93	40.01	45.88	49.76	54.08
Russian Federation	1.98	18.02	24.66	26.83	29.00	43.00	49.00	63.80	67.97	70.52
Slovak Republic	9.43	56.08	61.80	66.05	70.00	75.71	74.44	76.71	77.88	79.98
Slovenia	15.11	54.01	56.74	58.00	64.00	70.00	67.34	68.35	72.68	71.59
Spain	13.62	50.37	55.11	59.60	62.40	65.80	67.60	69.81	71.64	76.19
Sweden	45.69	87.76	82.01	90.00	91.00	90.00	92.77	93.18	94.78	92.52
Switzerland	47.10	75.70	77.20	79.20	81.30	83.90	85.19	85.20	86.34	87.00
Turkey	3.76	18.24	28.63	34.37	36.40	39.82	43.07	45.13	46.25	51.04
United Kingdom	26.82	68.82	75.09	78.39	83.56	85.00	85.38	87.48	89.84	91.61

Table 3: Selected Internet penetration rates in Europe

Source: The World Bank 2015.

Being the second largest market in the world in terms of e-commerce, the European continent provides unprecedented opportunities and market potential for online

retailers to grow and exploit new opportunities outside their home countries (E-Commerce Europe 2015; Stallmann and Wegner 2015).

For traditional retailers, internationalization is not a new phenomenon. Historically seen, first internationalization attempts were already made by English and Dutch trading houses reported back to the middle ages (Zentes et al. 2012). The internationalization of modern retailing started after World War II and was driven by large grocery retailers, like Spar, Aldi, Carrefour, Metro or Delhaize (Elsner 2014). For two decades, retailers from all over the world are internationalizing in an aggressive manner (Swoboda 2012). Within the home markets of retailers, competition is getting more intense and the growth is slowing down. Hence, retailers are actively looking for attractive markets with potential to grow, with less competition and increasing consumer spending (Maharajh and Heitmeyer 2005). With focus on Europe, Waarts and van Everdingen (2006) describe the internationalization of retailers as ever increasing. As the literature and anecdotal evidence show, internationalization has been argued as an important strategy for store-based retailers (e.g., Dawson and Mukoyama 2014).

Due to dramatic changes in retailing within the last 20 years, as well caused through the advent of online retailing and ongoing digitalization, internationalization and an active debate with online retailing is even more relevant for retailers these days (Verhoef et al. 2015).

Whereas the literature shows great effort in research of adding and connecting different channels in terms of multi- and omni-channel approaches, the question of what motivates retailers to open up an online shop as an additional sales channel is scarcely researched. Considering an online retailing context, it is not clear, how the market selection process of online retailers takes part. Moreover, the same holds true for the question, why some online retailers internationalize much faster and in a different way than brick-and-mortar retailers. Hence, it becomes increasingly important to analyze and answer the following three key questions of this study in order to shed light and provide advice, for researchers as well as managers, in terms of opening up and internationalizing successfully with the help of an online shop:

(1) What determines the intention of store-based retail and wholesale companies to open up an own online channel?

(2) Which factors determine the foreign market selection behavior of online retailers?
(3) Which factors affect the internationalization speed in the internationalization process of online retailers

While answering the aforementioned questions, this study aims to provide insights within the quite young field of retail internationalization with a focus on online

retailing. The results provide insights and suggestions for further research as well as implications for practitioners.

2. State of Literature and Research Gaps

2.1 Definitions and underlying Concepts of the Essays

2.1.1 Definitions

Retailing

"What is 'retailing'? Is retailing simply an application of marketing, or is it something unique?" (Peterson and Balasubramanian 2002, p. 10). In literature, manifold conceptualizations of the term retailing are present. For example, Berman and Evans (2001, pp. A28) define retailing as "business activities involved in selling goods and services to consumers for their personal, family, or household use". For Mulhern (1997, p. 103), "retailing represents the culmination of the marketing process, the contact point between consumers and manufacturer products, marketing communications and customer service". For Dunne and Lusch (1999, p. 5), retailing "consists of the final activity and steps needed to place merchandise made elsewhere in the hands of the consumer or to provide services to the consumer."

The present study follows the definition of Zentes et al. (2011, p. 7), who define retailing as "the process of purchasing products from other organizations with the intent to resell those goods to the final customer, generally without transformation, and rendering services incidental to the sale of merchandise".

Wholesaling

Wholesale activities remain an important activity in many economies (Quinn and Sparks 2007). Wholesaling involves intermediaries "with well-defined functions of breaking bulk, smoothing demand and supply, marshalling information, providing credit and facilitating exchanges" (Dawson 2007, p. 314). As the distinguishing feature between a wholesaler and another firm, the functions are directed to organizations who act as intermediaries in the channel and not to final customers (Dawson 2007). In this context and different from retailing, (Douglas 1975, p. 294) highlights that "the distinguishing feature of wholesaling is that sales are made to business buyers".

Retail Format

Retail research literature as well as practical observations provide evidence that more and more retail formats emerge over time (Rousey and Morganosky 1996). Neither retail formats nor business models of retailers are static entities, as retailers generally develop new formats, manage and further develop existing formats and also discard

formats over time (Reynolds et al. 2007). This diversity leads to greater prominence of market segmentation and the adaption of retail formats to perceived customer needs (González-Benito et al. 2007). The present work follows the definition of Zentes et al. (2011) and interprets a retail format as the representation of a specific configuration of the retail marketing mix and therefore effectively forms the core of a retailers' strategy.

Retail Channel

From a traditional viewpoint, the term 'channel' describes the product flow from the manufacturing source to the final customer in a unidirectional system, in which a manufacturer sells its products through a wholesaler or a retailer to the final customer (Davies 1993). Within the retail channel, retailers itself remain viable participants within their role as intermediaries (Zentes et al. 2011). Especially due to the emergence of information technology, retailers more and more integrate activities and offer and connect different retail channels to enhance their relationship to their customers and the overall firm performance (Oh et al. 2012; Mulhern 1997). Furthermore, 'brick-and-click' business models are gaining more and more prominence in retailing because the integration of retail processes across different channels allows retailers to benefit from the strengths of each channel and offer consumers multiple touch points and innovative services (Oh et al. 2012; Smith-Daniels 2007; Wallace et al. 2004).

2.1.2 Technology Acceptance Model

The research field of acceptance research focuses on the use of innovations with the aim to identify influence factors on their acceptance or refusal (Baier and Stüber 2010). A fundamental and widely used theory to explain the implementation of new technologies is the so called technology acceptance model (TAM), developed by Davis in 1986.

The technology acceptance model which has been initially developed in an organizational context in order to examine the acceptance of information technology systems at workplaces. Nowadays, TAM is seen as one of the most relevant and influential explanatory approaches in acceptance research (Baier and Stüber 2010; Venkatesh and Ramesh 2006). The technology acceptance model is based on the theory of reasoned action (TRA) given by Fishbein and Ajzen (1975), a model from social psychology that presumes that the intention to perform a specific behavior is a predictor for the actual behavior and a consequence of a rational decision-making process.

The main premise of the technology acceptance model (c.f. Figure 1) is that the actual use of a system can be directly modelled as a function of the behavioral intention to use, which is determined by two key constructs, the perceived usefulness as well as the perceived ease of use (Venkatesh and Davis 1996). Davis (1989, p. 320) originally

defines the perceived usefulness (PU) as “the degree to which a person believes that using a particular system would enhance his or her job performance”. However, the perceived usefulness can also refer to “the performance of any generic task” (Gefen et al. 2003b, p. 54) and is not only limited to the enhancing of job performance. The perceived ease of use (PEOU) is an indicator of the necessary effort in order to learn and utilize a new technology (Gefen et al. 2003a; Venkatesh and Davis 1996). PU and PEOU are expected to create a positive attitude towards using a technology (Müller-Seitz et al. 2009). Furthermore, external variables influence PU and PEOU.

The main goal of the original TAM is to provide an explanation of the determinants of computer acceptance. This explanation should be general and capable of explaining behavior across a range of different technologies and populations, as well as being theoretically justified (Davis et al. 1989).

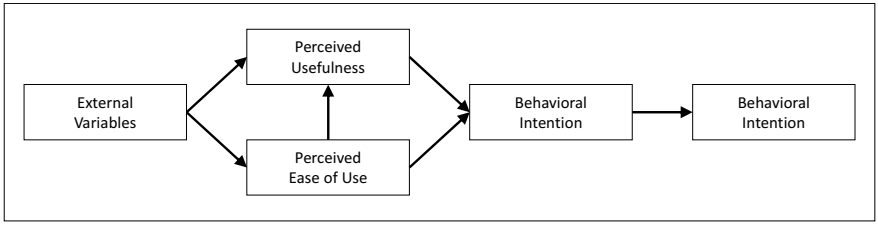

Figure 1: The Technology Acceptance Model

Source: Venkatesh and Davis 1996.

The original technology acceptance model was extended by Venkatesh and Davis (2000) (TAM2) and Venkatesh and Bala (2008) (TAM3) to present a complete nomological network of determinants.

Parsimony, the main strength of TAM is at the same time considered as its weak point, along with a low context-specificity and a limited possibility for specific recommendations for action (Bagozzi 2007; Chuttur 2009; Venkatesh and Ramesh 2006). However, the high relevance and continuing popularity of TAM as a powerful theory in research is undoubted.

For many applications, TAM has shown its practical importance as a flexible and expandable modelling instrument and it is one of the most widely researched predicting models for technology adoption (Baier and Stüber 2010; Gefen and Straub 2000; Lee et al. 2003; Venkatesh and Ramesh 2006). Numerous empirical tests in the last 20 years have shown that TAM is a strong and robust model of technology acceptance behavior for a wide variety of (information) technologies (Gefen et al. 2003b; Kauer et al. 2012; Sun and Zhang 2006; Venkatesh et al. 2003). TAM is applicable not only in the context of work-related activity, but it has also been

successfully applied to diverse non-organizational settings, including the field of e-commerce, in which TAM is one of the most widely used models (Domma et al. 2010; Gefen et al. 2003b; Gefen and Straub 2000; Lederer et al. 2000, Li and Huang 2009, 2009; Moon and Kim 2001).

2.1.3 Neo-Institutionalism

Organizations have to conform to formal and informal rules and beliefs systems, dominating the local environment and may be considered as key determinants of the behavior and structure of a firm (Xu and Shenkar 2002). These rules and beliefs systems may have complex influences on a firm's strategy (Kouznetsov 2009). The underlying neo-institutionalist approach of organizational theory has a sociological foundation. It can be traced to the two path-breaking key articles of Meyer and Rowan (1977) and DiMaggio and Powell (1983). The core statement of the institutional approach is that established models of organizational theory mainly focus on efficiency and a rational decision making; the influence of social actors in the environment and the social framework of norms, values, as well as taken-for-granted assumptions about what constitutes appropriate or acceptable economic behavior is often neglected (Powell and DiMaggio 1991). The main concept within the neo-institutional perspective is the so-called 'organizational legitimacy', which replaces the pursuit of efficiency (Park et al. 2012). Organizations that are able to adopt institutionalized norms and rules of the environment are expected to raise their legitimacy (Meyer and Rowan 1977).

Besides various definitions of legitimacy, the popular definition of Suchman (1995, p. 574) is used within this study: Legitimacy is "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems or norms, values, beliefs, and definitions". In situations with uncertainty, firms generally tend to adopt well-known practices and structures to gain legitimacy within their institutional environment (Cheng 2010; Kostova and Roth 2002; Zucker 1977, 1987). In such situations, the introduction of new practices is "driven by the necessity to conform, rather than to achieve superior objective performance" (Rocha and Granerud 2011, p. 262). The process, in which institutional pressures lead firms to adopt similar practices to gain legitimacy is labelled isomorphism. Three different types of isomorphism have been distinguished in literature (Badewi and Shehab 2016; Cheng 2010; DiMaggio and Powell 1983; Hewett et al. 2003; Powell and DiMaggio 1991; Tingling and Parent 2002):

- **Coercive isomorphism**: This type of isomorphism represents formal and informal pressures, which may be derived from other external organizations in the environment of the firm.
- **Mimetic isomorphism**: Mimetic isomorphism is based on the tendency of a firm to copy the actions of other organizations.

- **Normative isomorphism**: Normative isomorphism indicates an alignment of behavior within professions and a homogenization of behavior. As an example, powerful people within a firm can be named.

For all these three types of isomorphism, the adoption of specific practices from the organizational environment will raise the legitimacy of the firm and improve access to specific social resources to protect the long-term viability of a company (Badewi and Shehab 2016; Hewett et al. 2003; Zucker 1987).

In their study on motives for e-marketplace participation, Rask and Kragh (2004) demonstrate that aspects of the neo-institutional approach are also applicable in the in the case of online retailing.

2.1.4 Resource-based View

The resource based view (RBV) of the firm, which builds on the work of Penrose (1959), views firms as bundles of tangible and intangible assets (Amit and Zott 2001; Penrose 1959; Wernerfelt 1984). Over time, firms develop resources and capabilities and combine them to a productive set in order to enhance their performance (Amit and Zott 2001; Chang 1995). For a firm, resources include assets, capabilities, organizational processes, firm attributes, knowledge, information, etc., which it controls and which enables the firm to design and implement strategies that improve its efficiency and effectiveness (Barney 1991). To be successful, a firm must have appropriate resources (Barney 1991; Costa et al. 2013; Hitt et al. 2006a) which are characterized as being

- valuable,
- rare,
- heterogeneous,
- imperfectly mobile, as well as
- inimitable.

Nowadays, the RBV is widely acknowledged as one of the most prominent and at the same time as one of the most powerful theories to describe, explain and predict relationships in organizations (Barney et al. 2011). Though resources have been identified as an important factor for organizations even decades ago (see for example the work of Penrose (1959)), the leverage of the RBV as an established theory has not started until the 1980s, in which the gradual appearance has begun to redirect the focus inside of organizations (Hoskisson et al. 1999). Since then, a series of important articles has aimed on providing insights how resources and the strategic use of them are able to affect firm performance: In their work, Lippman and Rumelt (1982) analyzed inimitability and causal ambiguity, which have become key concepts of the RBV.

Wernerfelt (1984) shaped the term 'resource-based view' and highlighted the value of concentrating on a firm's resources rather than merely on its products. Barney (1986) theorized how organizational culture could be a source to create a sustainable competitive advantage. In their article, Dierickx and Cool (1989) emphasized that resources are useful, in particular, when no effective substitutes are accessible. In 1991, Barney presented a full set of characteristics of a resource that makes it a potential source of competitive advantage. Fiol (1991) identified organizational identity as a core competency leading to a competitive advantage for a firm. Kogut and Zander (1992) introduced in their work the concept of combinative capabilities and emphasized the importance of knowledge as a resource for a firm. Amit and Schoemaker (1993) subdivided the overall construct of 'resources' into resources and capabilities. Teece et al. (1997) use the RBV and its theoretical foundations to introduce the idea of dynamic capabilities to explain the competitive advantage of the firm as arising from the interaction of processes, assets, as well as evolutionary paths.

A huge advantage of the RBV is its flexibility and the possibility to combine the RBV with other theoretical approaches. For example, Oliver (1997) examined, how the RBV and institutional theory may better explain a sustainable competitive advantage. Combs and Ketchen (1999) investigated how to match competing predictions from the resource-based theory and organizational economics about the choice of the organizational form. Alvarez and Busenitz (2001) highlighted the contributions of the RBV to entrepreneurship research and articulated further possible contributions. Sirmon et al. (2007) participated in theory building about unexplored processes between resources and superior firm profitability.

Furthermore, the RBV is also applicable in the context of online retailing (Park et al. 2004).

2.2 Growth Options in Retailing

Compared with other businesses like manufacturing, entering into retailing and open up a retail store is relatively easy. From the very beginning, growing the own business and increasing value is often a fundamental objective for firms and has a high importance on the preference list. This holds true for retailers as well (Ogden and Ogden 2005).

From a management perspective, the discipline of strategic management has identified and analyzed alternative routes how companies are able to grow (Zentes et al. 2011). A familiar categorization for growth strategies is the so-called Ansoff matrix (Ansoff 1988), in which a firm can be conceived as a collection of distinctive strategic business areas of which each offers different opportunities for future growth and will require different approaches (c.f. Figure 2). As Levy et al. (2014) and Zentes et al. (2011)

demonstrate, the Ansoff matrix is a suitable tool to categorize possible types of growth opportunities for retailers.

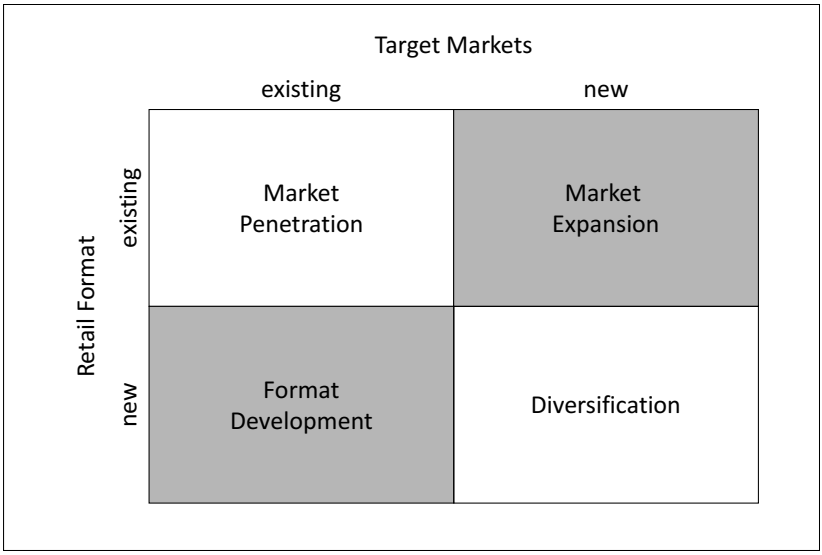

Figure 2: Growth opportunities for retailers – the adapted Ansoff-Matrix

Source: Levy et al. 2014.

Four different types of growth opportunities that retailers may pursue exist in the adapted Ansoff matrix (Ansoff 1988; Levy et al. 2014; Zentes et al. 2011):

- Market penetration is directed towards the current target market with using the retailer's present retail format. Higher revenues from existing markets can be achieved by attracting new consumers who do not patronize the retailer yet or encouraging existing customers to visit the retailer more often or to buy more in order to increase the aggregated value of the shopping basket. Market penetration approaches include for example opening more stores in the target market or expanding the opening hours. Further approaches involve increasing impulse purchases or training the sales force to cross-sell products.
- Market expansion is dedicated to the use of a retailer's existing retail format in new market segments or new geographic areas. As an example, a regional retailer expands its traditional retail format into other regions or a national retailer expands into new countries to increase revenues.
- Format development is characterized by offering a new retail format to existing markets. This can be done by providing a new channel, e.g. an online shop, to an existing customer base.

- Diversification entails introducing a new retail format to new markets or market segments.

Based on the presented framework (c.f. Figure 2), this study mainly focuses on aspects of format development and market expansion. Thereby, format development intends the introduction of an online shop to existing brick-and-mortar stores (c.f. Part II) in an existing market. Market expansion intends the opening of a new, country specific online shop in a new host country (c.f. Part III and IV).

2.3 Growth Opportunities through Format Development

Examining growth opportunities of retail firms through format development, the present study focuses on the establishment of an online shop as an additional channel. As added channels create new opportunities to address customers (Cao and Li 2015), it has been common for retail companies to simultaneously use multiple channels (Schramm-Klein et al. 2011). Driven by the internet and upcoming mobile technology, retailers increasingly introduce new online channels to supplement existing channels, like brick-and mortar stores, to achieve additional growth potential (Agatz et al. 2008; Li et al. 2015a; Rask and Kragh 2004; Yang et al. 2007). Within the last two decades, the use of e-commerce has considerably grown (Lu and Liu 2015). Thus, the internet has become a significant part of the retail landscape nowadays (Wagner 2015).

Reviewing current literature on sales channel adoption and multi-channel management, substantial attention is drawn on the effect of online channel adoption and usage on customer behavior, price sensitivity and firm performance (Bilgicer et al. 2015; Cao and Li 2015; Chu et al. 2010; Li et al. 2015a; Neslin et al. 2006). Biyalogorsky and Naik (2003), Deleersnyder et al. (2002) and Falk et al. (2007) investigate in how far adding an online sales channel enhances or cannibalizes existing offline sales and may create dissynergies. Geyskens et al. (2002) find support that adding an online channel and operating multiple channels has a positive effect on the financial performance. Pentina et al. (2009) investigate long-term performance effects of the timing of online shop adoption by brick-and-mortar retailers. Lynch and Ariely (2000) examine, how search costs affect the competition between online and offline channels in terms of price, quality and distribution aspects. Pan et al. (2004) investigate assortment integration and pricing decisions across channels. Chu et al. (2008) observe price sensitivities of households between online and offline shopping channels. Hsiao and Chen (2013) develop a theoretical model to examine channel conflicts, substitution effects between channels as well as providing general guidelines for the managerial choice of channel structures. A further and quite recent topic in the retail literature is the combination and integration of traditional retail channels with an online shop, also named as ‘bricks-and-clicks’ (e.g., Agatz et al. 2008; Herhausen et al. 2015). Cao and Li (2015) examine in their study whether and under what conditions cross-channel integration affects firm sales growth. Neslin et al. (2014) study the interplay between

different channels and brands, describe multiple purchase routes across channels and show, how this interplay is realized.

The aforementioned studies and topics show the noticeable spread within this research field and can be characterized in three major research topics (Verhoef 2012):

- The impact of channels on performance,
- Shopper behavior across channels and
- The retail mix across channels.

Moreover, research in this domain takes place on multiple levels (Verhoef et al. 2015):

- Retail firm level,
- Retail channel level, and
- Customer level.

Notwithstanding the importance of the basic decision, efforts in research investigating the motives of retailers on what determines their intention to start an additional online channel are more than scarce. This holds in particular true in the sector of SME retailers and wholesalers. Zhang et al. (2010a) discuss in their conceptual study, besides challenges and opportunities of multichannel retailing strategies and their dynamics, some motivations for retailers to operate in multiple channels. However the focus of their work concentrate more on the broadly discussed topics of the customer itself and the satisfaction of customers' shopping needs. Hence, Part II of this study focuses on the intention of retailers and connected influence factors to open and develop a new online channel.

2.4 Growth Opportunities through Market Expansion

2.4.1 General Retail Internationalization Decisions

Cross-border retailing has dramatically accelerated in the last two decades and internationalization in retailing is one of the most important trends nowadays (Howard 2004; Zentes et al. 2011). Hence, retail internationalization has attracted serious attention in recent years in research (Burt et al. 2002). Examining the characteristics of retailer's internationalization processes in general, researchers identified special characteristics of retail firms' internationalization contrasting that of manufacturing firms and emphasize the need for a retail-specific view (Swoboda et al. 2009).

As categorized by Swoboda et al. (2009), the following retail internationalization decisions (c.f. Figure 3) can be identified in the literature:

- Basic-oriented decisions and
- Market-oriented decisions.

These decisions result in either a successful performance or in a failure abroad and are moderated by internal as well as external context factors (Elsner 2014).

Research on basic-oriented decisions examines studies which cover motives of internationalization as well as studies examining retailers' basic internationalization strategies. Research on market-oriented decisions contains studies examining market selection as well as studies investigating market entry mode decisions of retailers. Studies dealing with aspects of market operations as well as organization and coordination are also related to market-oriented decisions. A quite new phenomenon, examining the speed of the internationalization process, is in particular relevant for online retailers and belongs to this group of decisions as well. Studies on performance, as well as on failures, subsume research investigating the impact and degree of retail firms' adaptations in the internationalization process. The category of context factors investigates research dealing with contextual issues of retail internationalization, e.g. home country, host country or inter-country context in terms of external context, and, for example, resources and knowledge in terms of internal context.

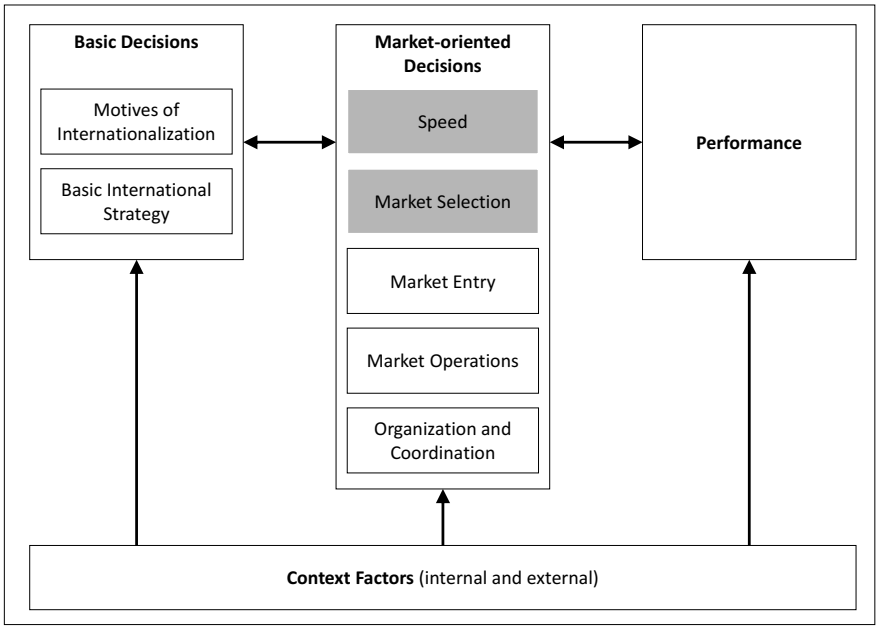

Figure 3: Overview on retail internationalization decisions

Source: Adapted and extended from Elsner 2014; Swoboda et al. 2009.

Examining the internationalization processes of online retailers, anecdotal evidence shows that online retailers behave different than brick-and-mortar-retailers in their internationalization paths, in terms of speed as well as in terms of market selection. To the best of knowledge, research on internationalization strategies of online retailers in general and international market selection and speed in particular is scare. Therefore, international market selection and internationalization speed of online retailers are in the focus of this study. To provide a topical overview on these two aspects the following literature review (c.f. chapters 2.4.2 and 2.4.3) focuses on studies between the years 2000 and 2015. The literature review presents chronological tables with an overview on selected, existing studies. Besides the respective research question, the used theories and concepts are listed. After categorizing the presented studies in empirical and conceptual, the empirical background and used method of the studies are named whenever possible. Furthermore, the main conclusions of the studies are summarized and describe the current research status, leading to the general research objectives presented in chapter 2.5.

2.4.2 International Market Selection

Decisions relating to international market selection (IMS) are considered to be strategic, the most critical ones in a firm's internationalization strategy and directly related to the success or failure of firms abroad (Brouthers and Nakos 2005; Brouthers et al. 2009; Ellis 2000; Musso and Francioni 2014; Papadopoulos et al. 2002; Papadopoulos and Martín 2011; Sakarya et al. 2007). Moreover, international market selection is seen as a determining element for a firm's international performance (Brouthers et al. 2009). International market selection research examines, how a firm select host country target markets abroad (Brouthers et al. 2009; Douglas and Craig 1992). Thereby, international market selection involves the scanning of comparable information on countries, industries, products and/or consumers (Papadopoulos and Martín 2011). In this context, e.g., Brouthers et al. (2009), Musso and Francioni (2014) and Ragland et al. (2015b) emphasize that international market selection is not to be confused with the choice of entry mode, which focuses on the level and type of investment decisions once an applicable international market is selected.

The majority of studies within the research stream on international market selection address country market selection (international segmentation); just a few address customer selection (integral segmentation). Within the international market selection literature, three different approaches are identifiable: Besides normative approaches, descriptive as well as specific international stage approaches can be observed (Swoboda et al. 2009).

Normative approaches contain one-stage models, which primarily examine macroeconomic indicators of countries, as well as multi-stage models, which refer to decision steps of market selection and evaluation (Swoboda et al. 2009). As examples,

the work of Andersen and Buvik (2002) or Papadopoulos et al. (2002) can be named (c.f. Table 4). A normative approach in the retail sector is used in the work of Gripsrud and Benito (2005), analyzing the attractiveness and the perceived distance of markets. A normative multi-stage model, in which it makes sense to distinguish between inter-country and a country-specific selection, can be observed in the work of Swoboda et al. (2007).

Descriptive approaches examine the way in which firms select foreign markets. They support the early theory-building in this research field, when international market selection attracted significant research attention from the 1960s to the mid-1980s (Papadopoulos et al. 2002; Swoboda et al. 2009). For international market selection, aspects of geographic and cultural distance as well as geographic proximity are identified as of high relevance (e.g., Alexander et al. 2011; Annushkina and Colonel 2013; He and Wei 2011; Myers and Alexander 2007; Sakarya et al. 2007; Vida 2000). Further studies analyze the selection and/or entry in specific countries (e.g., Alexander and Silva 2002; Alexander et al. 2007).

The third group is formed by the so-called specific international stage approaches. This relatively new research stream examines the development of international firms across country markets and tests assumptions regarding patterns of international expansion and the market selection decisions on which they are based (Alexander et al. 2011; Swoboda et al. 2009). From a retail research viewpoint, this approach was introduced by the work of Alexander (1997), who describes stages within retailers' international expansion. As an example, Waarts and van Everdingen (2006) examine in their work to what extent the expansion sequence patterns of retailers operating in Europe are driven by cultural factors and provide country clusters.

To date, the three presented research streams in international market selection research are not closely connected (Swoboda et al. 2009), neither in retail research nor in the field of international business (IB) research. Researchers agree, that there is still little knowledge, how international market selection decisions are made and that the use of existing theories to explain how firms choose international markets is scarce (e.g., Brouthers and Nakos 2005; Brouthers et al. 2009; Ellis 2000). A huge amount of studies, especially in terms of descriptive and stage approaches are empirically-based, often using secondary and ex-post data and linking a review of possible entry markets and strategies (Swoboda et al. 2009). In this context, Papadopoulos et al. (2002, p. 166) note, that "the literature to date is limited to either general qualitative frameworks or operational models that have not been tested sufficiently, offer little or no evidence that they can in fact predict market attractiveness, and/or are too complex to apply in practice".

As shown in the literature review (c.f. also Table 4), the number of recent studies on international market selection is limited, especially with focus on retailing. The same

holds true for the international market selection behavior of online retailers. Most of research related to international market selection has been tailored to large firms and addresses IB research in general (Musso and Francioni 2012a; Swoboda et al. 2009). Due to the perceived scarceness of literature in IMS, Table 4 focuses mainly on retail firms. The IMS of wholesalers is not in the focus of this overview.

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Ragland et al. (2015a)	Predicting IMS of firms in the direct selling industry	Institutional theory	Empirical	Secondary data / market data from the WFDSA / OLS regression	▪ Institutional theory is a good predictor for the relative attractiveness of international markets ▪ Formal and informal aspects of the institutional environment are linked with the attractiveness of a given market
Ragland et al. (2015b)	Using factor endowment theory to predict IMS choices for the direct selling industry in developed and developing countries	Factor endowment theory	Empirical	Secondary data / market data from the WFDSA / OLS and hierarchical regression	▪ Factor endowment theory can be used to predict the international market attractiveness and the IMS of firms ▪ Direct selling industry thrives in international markets with greater income inequality, greater female income inequality, less financial freedom, and access to the Internet
Musso and Francioni (2014)	Examining the IMS and EMS processes of SMES	Several concepts, e.g., RBV, related theories on IMS and EMS	Empirical	Primary data / SMEs from a region (Marche) in Italy / logistic regression	▪ SMEs have a non-systematic and passive behavior during IMS and EMS ▪ A high predilection in performing the two processes contemporaneously or without any logic is found ▪ A strong relation between sequence of IMS and EMS and degree of systematic and active behavior during the processes are found
Annushkina and Colonel (2013)	Examining the IMS of Russian MNEs	Several concepts, e.g., micro- and macroeconomic factors, RBV	Empirical	Secondary data / Russian MNEs / multiple linear regression	▪ A host country's geographic closeness to Russia positively affects the country's probability of attracting an M&A or JV deal by a Russian MNE ▪ A similar level of economic development is not significantly influencing the MNEs' foreign market selection decisions

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Musso and Francioni (2012b)	Examining factors influencing SMEs' choice when selecting international markets	Several concepts, e.g., RBV	Empirical	Primary data / SMEs from a region (Marche) in Italy / logistic regression	▪ Firm-specific and host country factors influence SMEs' IMS ▪ Cultural and geographic distance show no significant effects ▪ Existence of a relationship between systematic IMS and firm size
Alexander et al. (2011)	Establishing a more robust understanding of international retailers' market selection processes	Several concepts, e.g. gravity theory, distance concepts	Empirical	Secondary data / retail firm activities in Eastern European countries / regression	▪ Gravity models are applicable to (partially) explain IMS ▪ Importance of host market characteristics and the importance of understanding host market selection in the context of home market retail structural development
Douglas and Craig (2011)	Examining the impact of contextual factors on IMS on four different levels	Literature on context on consumption and purchase behavior	Conceptual	-	▪ Examination of contextual factors provides a richer and deeper understanding of which international markets to enter ▪ Within-country cultural diversity, economic and regional disparities and infrastructural differences need to be assessed
Gaston-Breton and Martín (2011)	Development of a two-stage IMS and segmentation model for MNEs to identify and select the most suitable European countries and customers	Inglehart's theory of material and post-material values	Empirical	Secondary data / World Bank development indicators and Eurobarometer data / cluster analysis	▪ Provision of a market screening tool to prioritize European countries in terms of market attractiveness ▪ Clustering of European countries by market attractiveness and customers by personal and social values
He and Wei (2011)	Investigating, how a firm's MO resources and capabilities influence the firm's IMS between culturally close and distant markets and the impact on firm performance	RBV	Empirical	Primary data / Chinese manufacturing firms expanding internationally / hierarchical binary logistic regression and structural equation modeling	▪ Market-oriented firms tend to choose culturally distant markets that help them to exploit their MO ▪ Firms with a fit between MO and IMS tend to perform better internationally than those without such a fit

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Brouthers et al. (2009)	Developing a model of IMS combining FSAs and transaction cost considerations	Dunning's eclectic framework	Empirical	Primary data / large EU MNEs selecting target host countries in Central and Eastern Europe / neural network analysis and hierarchical regression	▪ A firm-level strategic approach to IMS facilitates MNE success ▪ The eclectic framework can be used as both a predictive and normative model of IMS
Alexander et al. (2007) ; Myers and Alexander (2007)	Determining the direction of IMS and providing an overview of the expansion of international retailing in Europe and the influence on retail structures	Several concepts, e.g. psychic distance and internationalization process theories	Empirical	Secondary data / retailers' market entries in western Europe / correlations	▪ Retailers tend to expand into psychically close markets less developed than the home market ▪ Retailers operating internationally tend to come from large home markets ▪ Geographical and cultural proximity as guiding criteria of international activities ▪ High relevance of market size
Sakarya et al. (2007)	Presenting a framework composed of four criteria specific to the preliminary assessment of emerging markets (EM) as international expansion opportunities	Consideration of long-term market potential, cultural distance, competitive strength of industry, customer receptiveness	Conceptual and case study analysis	Case study / US fashion retailer, Turkey as emerging market / descriptive	▪ The four criteria of the conceptual framework can be applied for market selection of an emerging country ▪ Strong future market potential, manageable level of cultural distance, supportive and developing industry and positive customer receptiveness in the case of Turkey as a selected market for a US fashion retailer
Swoboda et al. (2007)	Developing a market selection model with regard to basic decisions (strategy, resources, etc.)	Decision model for market selection as part of further areas of decision in internationalization	Conceptual and case study analysis	Case study, supported by primary data / C&C wholesaler in Germany / qualitative	▪ Step-by-step decision-making process: 1. IMS (preliminary research, scoring models, ranking, management decision); 2. Country-specific market selection (three-step feasibility study) ▪ The model shows pre-decisions for market selection (policies, strategies, resources, etc., as well as interacting decisions)

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Rothaermel et al. (2006)	Examining the IMS behavior of U.S. internet firms	Several concepts, e.g. RBV, concepts of distance	Empirical	Secondary data / U.S. internet firms / hierarchical logistic regression	▪ Country risk, cultural distance and uncertainty avoidance reduce the likelihood of international market entry, whereas individualism and masculinity increase it
Waarts and van Everdingen (2006)	Examining the role of cultural influencing factors as part of the expansion patterns in European (fashion) retailing	Hofstede and Hall regarding cultural clusters	Empirical	Secondary data / Fashion retailers within the EU / descriptive, list of market entries	▪ Role of geographical and cultural factors in the course of expansion of retail firms in new countries; importance of geographic proximity during the first stage of expansion; importance of cultural proximity in the following stages ▪ Identification of three cultural country clusters ▪ Retail firms follow a step-by-step cluster approach
Brouthers and Nakos (2005)	Examining the target market selection of SMEs in terms of systematic selection methodology vs. ad hoc selection	Export behavior literature, management strategy literature	Empirical	Primary data / Greek exporting firms / hierarchical regression analysis	▪ Systematic IMS is an important determinant for export performance ▪ Age and education of the decision makers are not related to performance ▪ International company experience is negatively related to export performance in terms of Greek firms
Gripsrud and Benito (2005)	Development of a spatial interaction model for IMS	Several concepts, e.g., Dunning's eclectic paradigm, internationalization process models	Empirical	Secondary data / UK retailer's cross-border operations / OLS regression	▪ Market choice is based on attractiveness and market distance (geographic and cultural) ▪ Geographic distance is more important than cultural distance ▪ Measures of attractiveness are especially important in early and intermediate phases of internationalization, but not in the case of internationally experienced firms

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Maharajh and Heitmeyer (2005)	Analysis of the importance of certain factors determining decisions on IMS	Behaviorist paradigm of Vida and Fairhurst 1998 (model of factors influencing retail internationalization processes)	Empirical	Primary data / U.S. retailers / frequencies, means, ranking	▪ Market size, political and economic stability are the most important criteria for IMS ▪ The intention to enter a certain foreign market does not influence the importance of the factors
Bordier (2003)	Evaluation of reasons for China being the preferred market choice for international retail firms	None	Empirical	Secondary data / worldwide (IDG ranking of country attractiveness) / descriptive	▪ Criteria of attractiveness of China: market size and future consumer spending, less “modern retailing”, so far no concentration ▪ Barriers: insufficient infrastructure, geographic and cultural differences, customers’ price sensitivity, aggressive local retailers, strong competition with Asian retailers
Jones (2003)	Internationalization of Debenhams in the Middle East	None	Conceptual and case study analysis	Case study / Debenhams / descriptive	▪ Examination of market selection (especially: economic and political environment, market structures) ▪ Marketing activities: several country-specific adjustments
Alexander and Silva (2002)	Demonstration of the retailing structure for international retail firms in South America with focus on Brazil	Use of geographic and cultural distance	Empirical	Primary data / retail firms and service providers in the Brazilian market / qualitative	▪ Demonstration of the market structure in Brazil ▪ Increasing purchasing power seems to be a criterion for the entry of foreign retail firms
Andersen and Buvik (2002)	Establish a research agenda for IMS Comparing ‘traditional’ approaches with a relationship approach	Several concepts, systematic approach, unsystematic approach and relationship approach	Conceptual	-	▪ A relationship approach is suggested to be more likely than a traditional approach to the IMS under the following circumstances: (1) when the customers are manufacturing firms and service industries; (2) in case of mixed asset specificity and high behavioral uncertainty; and (3) in countries where the environmental uncertainty is perceived to be high

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Papadopoulos et al. (2002)	Development of a model for IMS	Several concepts and models of IMS	Empirical	Secondary data / 17 OECD countries as target markets of Canadian and Chinese exporters / scoring model	▪ Provision of a theoretical framework for IMS through a tradeoff model that draws from and improves upon the tradition of multi-criteria and demand estimation approaches
Brewer (2001)	Development of a country market selection model for Australian firms	None	Conceptual and case study analysis	Case study / Australian firms / descriptive	▪ Proposition of a model how Australian firms select new foreign country markets ▪ Australian firms tend to select markets where (1) informants of the firm are most powerful and (2) the sales potential is high and the firm is competitive
Ellis (2000)	Identification of methods used by decision makers to identify potential exchange partners in foreign markets and start international exchange relationships	Several concepts, e.g., network theory	Conceptual and case study analysis	Case study / Hong Kong based manufacturers / descriptive	▪ Knowledge of foreign market opportunities is commonly acquired via existing personal links rather than collected systematically via market research

Table 4: Selected studies on market selection

Source: Adapted and extended from Swoboda et al. 2009.

2.4.3 Internationalization Speed

Traditional approaches, e.g. the Uppsala internationalization process model of Johanson and Vahlne (1977), describe internationalization as a slow, gradual, path-dependent and step-by-step process. Though speed is, besides extant and scope, a salient factor of internationalization processes, it has rarely been in the main focus of research efforts, neither in international business research (Casillas and Moreno-Menéndez 2014; Zahra and George 2002), nor in international retail research. Until a decade ago, researchers focused primary on market choice and on explaining sequences of market entry modes and little consideration has been awarded to internationalization speed (Casillas and Acedo 2013). The concept of speed is a quite recent one and was not included in the IB literature until the mid-1990s; it became particular attention due to the development of the international entrepreneurship research stream (e.g., Jones and Coviello 2005; Oviatt and McDougall 1994; Zahra and George 2002). Time, as the dimension against which speed is measured, is a central

issue in the internationalization of the firm; moreover, internationalization speed is arguably the most important time-based dimension (Kiss and Danis 2008; Morgan-Thomas and Jones 2009; Prashantham and Young 2011). Emphasis is given due to the assumption that a rapid internationalization positively influence a firm's performance (Autio et al. 2000; Jones and Coviello 2005; Mohr et al. 2014; Oviatt and McDougall 2005). Moreover, identifying the frequency, rhythm, and cycles is often a key to understand the nature of the internationalization phenomenon itself (George and Jones 2000).

Though the importance of speed is highlighted in the literature, the notion of speed is not well understood and scholars have provided little guidance for firms in terms of managing and measuring internationalization speed (Acedo and Jones 2007; Chetty et al. 2014). Vermeulen and Barkema (2002, p. 643) define speed as a time-based indicator of "how many foreign expansions a firm undertakes in a certain period of time". In IB literature, three different views of internationalization speed are prevalent: The first and commonly used conceptualization is that of time elapsing between a company's foundation and the first international activity (Zahra and George 2002), focusing mainly on pre-internationalization. The second view is an overall observation (Mathews and Zander 2007), using average values, e.g., the average number of foreign markets per year (Chetty et al. 2014; Vermeulen and Barkema 2002). The last view is the most rigorous concept to gain a deeper understanding of how internationalization processes develop: the time elapsing between two consecutive events and consideration of the speed in different stages within the internationalization process from a dynamic perspective (Casillas and Acedo 2013). In this context, Prashantham and Young (2011) posit, that it is important to distinct between the initial speed till the first internationalization is done and post-entry speed of subsequent internationalization steps to consider a holistic view on speed in the long term. In the last decade, researchers seem to be more and more aware of the rather complex nature of the phenomenon of internationalization speed and the need of considering the speed between all stages within the internationalization process (Casillas and Acedo 2013; Casillas and Moreno-Menéndez 2014; Patel et al. 2014; Powell 2014b; Prashantham and Young 2011; Yu et al. 2011; Zachary et al. 2015).

Table 5 summarizes a selection of studies, dealing conceptually or empirically with the concept of speed in the field of IB research.

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Zachary et al. (2015)	Review and synthesis of management and marketing research publications on entry timing in top-tier journals in the last 25 years	Several concepts, e.g., contingency theory	Conceptual	-	▪ Providing an overview on theoretical and methodical trends in the last 25 years ▪ Offering a conceptual model on entry-timing ▪ Entry timing does matter but it is unclear how or under what conditions
Andersson et al. (2014)	Identification of a conceptual research framework to identify the role of industry factors in INV's internationalization processes in terms of speed, geographic scope and entry strategy	Several concepts, e.g., RBV, network research, industry lifecycle theory	Conceptual	-	▪ Theoretical identification of key industry factors and emerging factors influencing the INV internationalization process in terms of speed, geographical scope and entry strategy ▪ Identified factors are, e.g., competition, industry life cycle, knowledge intensity, local cluster internationalization
Casillas and Moreno-Menéndez (2014)	How affects the role of diversity and depth of past international activities as sources of experiential learning the internationalization speed	RBV, dynamic capabilities	Empirical	Secondary data / international operations of Spanish firms / Cox proportional hazards model	▪ Speed of internationalization depends on experiential learning ▪ Diversity of international activities ▪ Depth of international activities has an U-shaped influence on internationalization speed ▪ Internationalization speed is a dynamic process in which diverse activities (long-term orientation) are combined with deep activities (short-term orientation)

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Chetty et al. (2014)	Provision of a conceptualization and operationalization of speed	Uppsala model	Empirical	Primary data / international operations of Spanish SMEs / PLS model	▪ Speed is a multidimensional construct ▪ Speed of international learning and speed of international commitment create internationalization speed ▪ Firms do not internationalize at a constant speed, speed is most likely to change over time ▪ Positive relationship between internationalization speed and international performance
Mohr and Batsakis (2014)	Identifying the relationship between a firm's intangible resources and its internationalization speed Influence of adoption of regional vs. global approach to international expansion on the relationship between international experience and internationalization speed	RBV, KBV	Empirical	Secondary Data / international operations of store-based retailers / Feasible generalized leased squares	▪ Existence of direct effects of intangible assets and international experience ▪ Firms need to have particular intangible resources before being able to internationalize rapidly ▪ RBV and KBV are useful theories to explain internationalization speed in the retail sector
Mohr et al. (2014)	Analysis of performance consequences of MNEs home region concentration Analysis of the moderating effects of entry timing, internationalization speed and international experience	RBV, internationalization theory	Empirical	Secondary data / international operations of store-based retailers / OLS regression model	▪ Existence of a positive effect of home region concentration on MNE performance ▪ Internationalization speed increases the performance outcomes of home region concentration ▪ A rapid expansion within the home region more likely leads to company success in terms of performance

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Powell (2014b)	Exploration of the relationship between firm profitability and actual speed of foreign market entry	RBV, competitive advantages	Empirical	Secondary data/ US corporate law firms entering China / Cox proportional hazards model	▪ U-shaped relationship between profitability and speed of entry ▪ While host-country factors may be important for location decisions, speed of entry seems to depend more on firm-specific factors ▪ Support that younger firms may be more interested in international opportunities
Zhou and Wu (2014)	Examination of the impact of early foreign market entry on new venture's performance outcomes	International entrepreneurship research	Empirical	Primary data / INVs in China / OLS regression	▪ Early internationalization positively contributes to firm performance in terms of sales growth, but not in terms of innovation and profitability ▪ Performance advantages of early internationalization become obsolete as young ventures become mature, especially those with a low level of international commitment
Patel et al. (2014)	Exploring the role of geographically balanced networks on new product internationalization speed	Several concepts, e.g., international entrepreneurship, network theory, new product development	Empirical	Secondary data / young Finnish entrepreneurial ventures / Cox proportional hazards model	▪ Ventures pursuing a balance of local and foreign network connections for the development of a product innovation are able to bring it more rapidly into the international marketplace ▪ For technology-based ventures, a rapid internationalization is critical to take full advantage of and exploit their innovations before their competitors do so ▪ Ventures do not internationalize their newly innovated product alone, but rather as a network

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Casillas and Acedo (2013)	Review of the concept of speed from an internationalization perspective and setting up a research agenda and an analytical model for speed	Several concepts, e.g., RBV, network research, foreign experience, imitation, entrepreneurship research	Conceptual	-	▪ Speed is a distinct construct and explicit dimension ▪ Speed is a dimension of international behavior that interacts with other dimensions such as extent and scope ▪ Speed is a dependent variable influenced by different explanatory factors ▪ Definition of speed as a relationship between a firm's international behavior and time
Chen and Yeh (2012)	Examining variations in the preferences of location antecedents and the pace of FDI	FDI theory, RBV, Eclectic paradigm	Empirical	Secondary data / Taiwanese firms with subsidiaries in China / ROL model	▪ Agglomeration and policy incentive have an influence on location choice during the entire FDI process ▪ Greater FDI experience leads to a more intensive inter-investment time span and accelerates the investment pace
Chang and Rhee (2011)	Exploring circumstances under which a rapid FDI expansion (expansion at accelerated speed) can be a viable strategy to improve firm performance	RBV, dynamic capabilities, competitive theory	Empirical	Secondary data / publicly listed Korean firms from manufacturing sector/ OLS regression model	▪ No clear results whether FDI expansion should take place quickly or slowly ▪ Internal capabilities and the competitive environment to judge whether rapid FDI expansion is possible or even necessary have to be taken into account
Pedersen and Shaver (2011)	Internationalization is characterized by a discontinuous rather than incremental process	FDI Theory, behavioral theory	Empirical	Primary data / Danish firms international expansion activities / Cox proportional hazards model	▪ Existence of a pattern of a big initial step ▪ Firms are faster in making their second versus first expansion ▪ The speed of expansions subsequent to the second do not significantly differ from the second ▪ Internationalization is a discontinuous process

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Prashantham and Young (2011)	Conceptualization of a learning-based model of INVs internationalization speed after their initial entry into international markets	Several concepts, e.g., Penrosean Perspective, RBV, dynamic capabilities	Conceptual	-	▪ Necessity to consider early internationalization less as a single 'event' and more as a 'process' (behavior over time) ▪ Exploitative learning is required to generate further international expansion ▪ Proposition of a curvilinear relationship between post-entry speed and performance
Yu et al. (2011)	Examining the role of networks in accelerating new venture sales into foreign markets	Network perspective	Empirical	Secondary data / U.S. headquartered biotech companies / Cox proportional hazards model	▪ Different types of knowledge differentially impact the likelihood of new venture internationalization ▪ Network cohesion among venture alliances increases the likelihood that marketing alliances will promote initial foreign market sales, but decreases the likelihood that technology alliances will do so ▪ Reinforcement of the importance of time in the study of venture internationalization
Musteen et al. (2010)	Investigating whether the characteristics of Czech SME CEOs international relationships influence the speed and the success of their firm's internationalization	Social capital theory, international entrepreneurship literature	Empirical	Primary data / Czech manufacturing SMEs / OLS regression	▪ Geographically diverse networks contribute to superior performance ▪ Networks characterized by a greater proportion of close personal ties did not result in faster internationalization ▪ Linguistic congruency between SME CEOs and their international ties facilitates faster internationalization

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Kiss and Danis (2008)	Examination, how social networks impact new ventures' internationalization speed	Several concepts, e.g., network theory, institutional theory, organizational behavior	Conceptual	-	▪ Identification of factors and provision of a theoretical model specifying the rationale entrepreneurs use to draw on their social networks and drive internationalization ▪ Country institutional context shapes social network composition and indirectly influences the potency of ties in accelerating internationalization
Acedo and Jones (2007)	Develop understanding on how aspects of cognition relate to internationalization and its speed	International entrepreneurship research	Empirical	Primary data / SMEs in south Spain / PLS-SEM	▪ International orientation leads to higher levels of proactivity and a lower perception of risk and more likely to a faster internationalization ▪ The perception of risk is the key cognitive factor as regards rapid internationalization
Weerawardena et al. (2007)	Conceptual model of born global firm internationalization	Dynamic capabilities, organizational learning theory	Conceptual	-	▪ Processes of learning and knowledge acquisition, articulation, codification and capture and related resource configurations need to be established and practically examined ▪ Provision of a novel conceptualization of antecedent factors leading to accelerated internationalization of born globals
Arenius et al. (2006)	Examination how knowledge intensive firms can quicken their internationalization by using the internet as a sales channel	Liability of foreignness, resource scarcity	Empirical	Interviews / Internet retailing / case study approach	▪ The internet is able to decrease the effects of liability of foreignness, resource scarcity and contributes to an increased speed of internationalization ▪ The internet can simplify the internationalization path and the marketing organization structure for conducting international business

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Jones and Coviello (2005)	Conceptual development of a three-level process of entrepreneurial internationalization behavior in time	Several concepts, e.g. International entrepreneurship research, behavioral theory, classical internationalization theories	Conceptual	-	▪ Provision of a basis for the development of precise, context-specific contingency models ▪ Use of time, behavior, the entrepreneur, firm, environment and performance as key dimensions ▪ Entrepreneurial internationalization is linked to various aspects of firm performance
Luo et al. (2005)	Examining underlying factors for the fast speed of e-commerce companies internationalization	Several concepts, e.g., RBV, dynamic capabilities	Empirical	Secondary data / International operations of American e-commerce firms / multiple regression analysis	▪ A fast foreign market entry of e-commerce companies is positively influenced by TMTs international experience and innovative and marketing capabilities
Oviatt and McDougall (2005)	Development of a model of how the speed of entrepreneurial internationalization is influenced by various forces	Several concepts, e.g., International entrepreneurship research, Uppsala model, network research	Conceptual	-	▪ Providing a model to stimulate and support further research in the connection of IB and entrepreneurship research in terms of explaining observed differences in the speed with which entrepreneurial opportunities are taken international
Fuentelsaz et al. (2002)	Analyzing entry timing in new geographical markets	RBV, dynamic capabilities	Empirical	Secondary data / Spanish savings banks sector / Cox proportional hazards model	▪ Market structural characteristics and firm-specific competitive conditions influence the entry timing into a market ▪ Organizational size, organizational competence and organizational experience are key factors to explain the pattern of geographic diversification

Author(s) and Year	Research Question / Purpose	Theory / Framework / Concept	Empirical / Conceptual	Empirical Basis / Sector / Method	Core Findings
Gaba et al. (2002)	Examining the entry timing in international markets Examining the relationship between entry timing and the selected entry mode	Several concepts, e.g., RBV, signaling theory	Empirical	Secondary data / Entry behavior of U.S. Fortune 500 firms into China / event history analysis	▪ Larger firms with greater level of internationalization and scope economies are likely to enter foreign markets earlier ▪ Favorable risk conditions accelerate the entry timing ▪ Choosing a non-equity mode of entry accelerates the entry of a firm into a foreign market
Vermeulen and Barkema (2002)	Relationship between foreign subsidiaries and firm profitability, moderated through various characteristics of the international expansion process	Time compression diseconomies, absorptive capacity	Empirical	Primary and secondary data / panel with 22 firms from the Amsterdam Stock Exchange with 741 foreign expansions / OLS with fixed-effects models	▪ Internationalization is a path-dependent process, in which history and time matter ▪ Firms need to follow a path of balanced growth to ensure profitability ▪ Limits to how much expansion an organization can cope with ▪ Internationalization speed, spread of geographical and products markets entered and irregularity of the expansion pattern affect a firm's profitability resulting from internat. expansion
George and Jones (2000)	Discussion of the role of time in theory and theory building by focusing on the effects of time (when condition) on the what, how, and why questions of theory building	Several concepts, e.g., organizational theory, phenomenological theory	Conceptual	-	▪ Propositions, how theorists can take the dimensions of time and its multidimensionality into account both in theory and theorizing
Autio et al. (2000)	Examination of international growth in entrepreneurial firms	Knowledge-based view	Empirical	Primary and secondary data / Finnish manufacturers from electronics industry / Regression analysis	▪ Firms with more imitable technologies grow faster ▪ Younger firms taking small, incremental steps more rapidly than older firms ▪ Knowledge accumulation and learning are critical to international growth

Table 5: Selected studies on internationalization speed

Source: Own illustration.

2.5 Research Objectives

Emphasizing the increasing dynamics in the retail sector which are presented in the previous sections in terms of format development and market expansion, three general research objectives focusing on online retailing emerge and are part of the essays 1-3.

The first research objective aims to examine factors that determine the intention of store-based retail and wholesale companies to open up an additional online channel. The rapid development of information technologies and their potential applications have provided new means for retailers to reach the end market (Bernstein et al. 2008). This has been an important catalyst for the recent proliferation of distribution/sales channels in retailing. Second, launching multiple channels might be an effective strategy for sales expansion (Alptekinoğlu and Tang 2005). Moreover Internet and e-commerce technologies provide small- and medium-sized enterprises (SMEs) with an affordable way to establish a dual-channel distribution by adding an additional online shop (Li and Ghosh 2012).

Though establishing an online channel is nowadays of fundamental importance for a retailer, efforts in research investigating the motives of retailers on what determines their intention to start an additional online channel are more than scarce. To the best of knowledge, there is no research on what determines the intention of retail and wholesale companies, particularly SMEs, to start an online channel. Based on the technology acceptance model (TAM) as well as on institutional theory, the aim of essay one is to identify and examine factors that may influence the intention to start selling online.

Research objective two, which is presented in detail in the second essay, investigates the market selection behavior of online retailers. For a firm, internationalization implies geographic expansion across boarders and is one of the most important paths for firm growth (Lu and Beamish 2001; Teixeira and Coimbra 2014). Retailing, as well as online retailing in particular, is becoming more and more global due to new industry characteristics, new industry capabilities as well as new strategic imperatives. Due to intensifying competition in the home market, retailers are confronted with diminishing growth. As a result, retailers are generally looking for attractive markets with growth potential, increasing population and consumer spending or emerging economies with a less intensive competition (Maharajh and Heitmeyer 2005).

Though the importance of IMS is recognized in IB as well as in retailing literature, very little is known how firms in general and especially retailers decide which foreign market to enter (e.g., Andersen and Buvik 2002; Brouthers et al. 2009; Gripsrud and Benito 2005; Musso and Francioni 2012a, 2014; Swoboda et al. 2009). Moreover, little research has used existing theories to explain the choice of international markets by a

firm (Brouthers and Nakos 2005; Ragland et al. 2015a; Ragland et al. 2015b). Elsner (2014), Gripsrud and Benito (2005) as well as Swoboda et al. (2009) illustrate in their work that the selection of international markets by retailers is neither well researched nor well supported by theoretical explanations. These abovementioned scholars list studies on retailers' IMS and from these studies, it becomes evident that none of them investigate the specific case of online retailers. Hence, mainly based on RBV and institutional theory, the second essay aims to identify factors determining the foreign market selection behavior of online retailers.

The last research objective highlights the importance of time and internationalization speed, as a time-based measure, within the cross-national expansion of online retailers. As shown in IB literature, the internationalization process is essentially a dynamic phenomenon. Whereas the 'why' and the 'what' are well researched, as well as the stages involved and the factors that explain the shift from one to the next – leaving how the process develops over time is underresearched (Casillas and Acedo 2013). Notwithstanding, time is an important determinant in the internationalization process of the firm and is increasingly viewed as an important factor and scarce resource for internationalizing firms to manage, it has rarely been considered a primary conceptual dimension (Chetty et al. 2014; Jones and Coviello 2005; Sharma and Blomstermo 2003a). In this context, Hilmersson and Johanson (2015) identify within their work three research gaps: First, only few studies treat internationalization speed as an independent variable. Second, in most studies, speed is only analyzed until the first internationalization step and third, most studies have paid little attention to the multidimensionality of the concept of speed. This view is supported by Casillas and Acedo (2013), highlighting that a considerable amount of literature exists about the extent and scope of firm internationalization, using the behavior dimensions defined by Zahra and George (2002), but a great deal remains to be understood about its speed. Furthermore, Casillas and Acedo (2013) emphasize that what is known about the dimensions of speed refers almost exclusively to how soon after a company is founded its first international event takes place, but very little research has sought to explain the speed of the process once it is under way. This is in line with Teixeira and Coimbra (2014), expressing their surprise that only few papers have considered the analysis of time as a critical element, since internationalization is a dynamic process.

Due to these depictions, it is not surprising that IB researchers call for a deeper examination of time and internationalization speed. George and Jones (2000) expect that the inclusion of time into theoretical explanations of international diversification is likely to produce new research questions related to speed, pace, rhythm, and sequence of entry. Patel et al. (2014) mention that the understanding of factors that influence the speed of international entry remains elusive; hence, future research should assess factors like supply conditions, market orientation, cultural distance, psychic distance among others to gain a deeper insight into internationalization speed. Li et al. (2015b) demand the inclusion of a longitudinal mechanism in future studies to

capture the dynamism of the internationalization process, because the driving forces of rapid internationalization are dynamic. This is in line with the observations of Hitt et al. (2006b), underlining the need for more extensive longitudinal studies. Zachary et al. (2015) advocate more attention to how timing, as one of several contingencies, might be better integrated into entry research both theoretically and empirically. Oviatt and McDougall (2005) hope that more scholars will focus on explaining the observed differences in the speed with which entrepreneurial opportunities are taken international.

Following these various calls, essay three aims to shed more light on internationalization speed based on resource-based theory and factors at the individual, organizational and supra-organizational levels, identifying timing decisions in the retail sector and to examine internationalization speed in a geographically diversified country sample.

Part II: Establishment of Online Shops by SME Retailers and Wholesalers – A Rational Decision or Institutional Pressure? (Essay 1)[2]

1. Introduction

In many different sectors of trade, online selling has steadily gained in importance over recent years, and it is predicted to continue on this growth path (Gartner Industry Research 2012). A growing number of retail and wholesale companies have started to sell goods through online channels (Rask and Kragh 2004; Yang et al. 2007; Zentes and Rittinger 2009; Rittinger and Zentes 2012). For many companies, establishing an online channel poses a major challenge (Schoenbachler and Gordon 2002), especially for SMEs, due to the scarcity of available resources (Rawwas and Iyer 2013; Vaaland and Heide 2007). There is evidence that SME retailers and wholesalers are lagging behind in the adoption of these modern distribution techniques, which may place them at a disadvantage relative to larger competitors (Johnston et al. 2007; OECD 2004; Vaaland and Heide 2007). Hence, industry experts and executives from buying associations, in which SME retailers and wholesalers are often organized as members, intend to encourage the use of state-of-the-art distribution techniques such as online selling (Rawwas and Iyer 2013).

To the best of our knowledge, there is no research on what determines the intention of retail and wholesale companies, particularly SMEs, to start an online channel. Hence, the aim of this study is to examine factors that may influence this intention, namely, perceived usefulness, perceived ease of use and institutional pressure.

A theory widely used to explain the implementation of new technologies is the Technology Acceptance Model (TAM) of Davis (1986). TAM was chosen as a basis for this research because it has already been applied widely and successfully to a diverse set of technologies (Venkatesh et al. 2003). It is assumed to be the most suitable model to explain technology adoption behavior and can be modified to suit a variety of technology or system contexts (Yang et al. 2007). Additionally, TAM has been successfully applied to e-commerce (Gefen et al. 2003b), and it has been used in the perspective of organizations and SMEs, providing technology to their customers (Grandon and Pearson 2004; Riemenschneider and McKinney 2002; Riemenschneider et al. 2003).

However, the intention to use a new technology is not influenced merely by aspects of utility. For instance, Rask and Kragh (2004) argue in their study that companies may

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consider participating on e-marketplaces mainly to mimic the behavior of other companies. In a study by Tingling and Parent (2002) decision makers mimicked the choice of other companies in technology selection even though these selections were contrary to extensive product evaluations conducted by the company itself. Mimetic isomorphism may be a response to uncertainty (DiMaggio and Powell 1983), and firms economize on search costs when faced with uncertainty by imitating the actions of other organizations (Haveman 1993). It has been observed in different fields of business administration that companies follow the example of others in their industry in terms of their conduct (Haveman 1993) which is the focus of the management fashion and fad literature (Abrahamson and Fairchild 1999). With regard to e-commerce, anecdotal evidence and conversations of the authors with decisions makers in SMEs demonstrated that imitating the behaviour of other companies may be an important driving force.

Therefore, in this study, it is proposed to investigate influences from the neo-institutionalist perspective using TAM as the basis of the research framework. The objective is to investigate whether the intention of an SME to launch an online shop is affected by influences from the societal environment of an SME, for instance, by the perceived pressure towards this strategy by other organizations and by mimetic behavior. As this point is of high importance but is nearly unexplored in the context of SMEs and online selling, this study aims to fill this literature gap.

The study shows, that not only rational arguments but mimicking the behavior of other firms in their environment indeed affect the intention of an SME to launch an online shop and that seeking legitimacy matters. As implication this study demonstrates that TAM as well as neo-institutionalist aspects are a promising avenue for research and deepening our understanding of a company decision to provide an online shop can be based on these theories. The managerial implications are focused on executives from buying associations who want to encourage their members to establish an online shop. Using the example of peers with online shop has been shown to be a powerful argument. Furthermore, buying associations can influence the perceived usefulness of an online shop, e.g. by conducting market research on their members' customers.

The paper is organized as follows. First, the theoretical background of the study and the research hypotheses are presented, followed by details regarding the research design, measures, method and an assessment of the measurement model. This information is followed by hypotheses testing with partial least squares (PLS) structural equation modelling using data from a company survey (n = 864) and by the presentation of the results. Finally, the findings are summarized, the limitations of the study discussed and suggestions for further research and managerial implications are provided.

2. Theoretical Background and Hypotheses

The introduction of an online shop includes accepting a new technology and implementing it by offering an additional sales channel to customers.

2.1 TAM and the Intention to launch an Online Shop

Acceptance research focuses on the use of innovations to identify influence factors on their acceptance or refusal. One of the most relevant and influential explanatory approaches is TAM (Baier and Stüber 2010). TAM, which was introduced by Davis (1986), was initially developed in an organizational context to examine the acceptance of information technology systems at workplaces.

The central assumption of TAM is that the actual system use can be directly modelled as a function of the behavioral intention to use, which is determined by the perceived usefulness (PU) and the perceived ease of use (PEOU). Originally, PU was defined as "the degree to which a person believes that using a particular system would enhance his or her job performance" (Davis 1989, p. 320), but PU can also refer "to the performance of any generic task" (Gefen et al. 2003b, p. 54). In this study, the PU of providing an online shop to customers is focussed on. PEOU is an indicator of the effort needed to learn and utilize a new technology (Gefen et al. 2003a). In the case of this study, PEOU refers to the ease of establishing and operating an online shop, including all necessary activities.

The main goal of the original TAM was to provide an explanation of the determinants of computer acceptance. This explanation should be general and capable of explaining behavior across a range of different technologies and populations, as well as theoretically justified (Davis et al. 1989). TAM was extended by Venkatesh and Davis (2000) (TAM2) and Venkatesh and Bala (2008) (TAM3) to present a complete nomological network of determinants.

For many applications, TAM has shown its practical importance as a flexible and expandable modelling instrument, and it is one of the most widely researched predictive models for technology adoption (Baier and Stüber 2010; Gefen and Straub 2000; Lee et al. 2003; Venkatesh and Ramesh 2006). Numerous empirical tests in the last 20 years have shown that TAM is a strong and robust model of technology acceptance behavior for a wide variety of (information) technologies (Gefen et al. 2003b; Kauer et al. 2012; Venkatesh et al. 2003).

TAM is also one of the most widely used models in terms of explaining the acceptance of e-commerce, not only with regard to personal usage but also concerning the provision of a new technology by a company to its customers (Domma et al. 2010; Gefen et al. 2003b; Gefen and Straub 2000; Li and Huang 2009; Moon and Kim 2001). Riemenschneider et al. (2003) base their explanation of the intention of an SME to

provide different information technologies to customers, e.g., a web presence, on TAM. Other authors use TAM and variables based on TAM to explain the introduction of EDI in SMEs (e.g., Grandon and Pearson 2004; Iacovou et al. 1995) or to explain technology selection of decision makers in companies (Tingling and Parent 2002). While TAM is a theory about individual decision processes, these authors argue that SMEs' decisions about the provision of new technologies to customers are usually taken, or are at least dominated, by individual decision makers (Riemenschneider et al. 2003).

Hence, in this paper the main components of TAM, perceived usefulness (PU) and perceived ease of use (PEOU), are used as a basic structure to explain the intention of an SME to launch an online shop:

Hypothesis 1: The greater the perceived usefulness (PU) of online selling for an SME, the greater the intention (INT) to launch an online shop.

Hypothesis 2a: The greater the perceived ease of use (PEOU) of online selling for an SME, the greater the intention (INT) to launch an online shop.

Hypothesis 2b: The greater the PEOU, the greater the PU of online selling

2.2 Neo-institutionalism, Legitimacy and Mimetic Isomorphism

The neo-institutionalist approach of organizational theory has a sociological foundation and can be traced to the two key articles of Meyer and Rowan (1977) and (DiMaggio and Powell 1983). The main path of argumentation is that established models of organizational theory focus too strongly on efficiency and a rational decision making process while neglecting the influence of social actors in the environment and the social framework of norms, values, and taken-for-granted assumptions about what constitutes appropriate or acceptable economic behavior (Powell and DiMaggio 1991). At the core of the neo-institutional perspective lies the concept of organizational legitimacy, which replaces the pursuit of efficiency (Park et al. 2012). The general assumption is that organizations that adopt institutionalized norms and rules of the environment raise their legitimacy (Meyer and Rowan 1977). There are various views of legitimacy. This paper adopts the popular definition of Suchman (1995, p. 574), who defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." Under uncertainty, firms often opt to adopt well-known practices and structures to gain legitimacy in their institutional environment (Cheng 2010; Kostova and Roth 2002; Zucker 1987). Furthermore, the introduction of new practices is "driven by the necessity to conform, rather than to achieve superior objective performance" (Rocha and Granerud 2011, p. 262). This process, in which institutional pressures lead firms to adopt similar practices to gain

legitimacy, is labelled isomorphism, and three types of isomorphism have been distinguished (Cheng 2010; DiMaggio and Powell 1983; Hewett et al. 2003; Tingling and Parent 2002):

- **Coercive isomorphism** represents formal and informal pressures from other external organizations in environment of the firm.
- **Mimetic isomorphism** is based on the tendency of a firm to copy the actions of other organizations.
- **Normative isomorphism** indicates an alignment of behavior within professions and a homogenization of behavior, e.g., through powerful people within a firm.

In all these cases, the adoption of specific behavior from the organizational environment will raise the legitimacy of the firm and improve access to specific social resources to secure the long-term viability of the firm (Hewett et al. 2003; Zucker 1987). In their study on motives for e-marketplace participation, Rask and Kragh (2004) mention that companies may also consider joining e-marketplaces mainly to mimic the behavior of other companies. Tingling and Parent (2002) demonstrated the strong effect of mimetic isomorphism on the technology selection process in companies which, in their experiment, even lead to the selection of technologies that were rationally considered suboptimal. The intention of a firm to launch an online shop is a decision under uncertainty regarding both technical aspects and financial success. Given this uncertainty, SMEs are likely to imitate practices that are used by other companies in their environment (Brandau et al. 2013).

Hypothesis 3: The more common an SME perceives online shops to be in its trade sector, the greater its intention to launch an own online shop.

Within a social network, the institutional perspective emphasizes that external conformity pressures influence a firm's willingness to adopt organizational innovations (Scott 1995). Through external connections in peer groups, information and social influences such as norms and values can be transferred and can thus affect the behavior of a firm (Geletkanycz and Hambrick 1997; Grewal et al. 2001). In such a situation, SMEs are likely to incorporate socially legitimated practices (Cheng 2010). For SMEs in retailing and wholesaling, an important peer group is the buying association of which the company is a member. Members of such an association who adopt a new practice may do so to fulfil the expectations of others in their environment. Thus, perceived pressure from the peer group enhances the likelihood of adoption of a new technology (Abrahamson and Rosenkopf 1993; Oliver 1991). Thus, the following is posited:

Hypothesis 4: The greater the perceived pressure from the peer group to implement an online shop, the greater the intention of an SME to launch an online shop.

2.3 Factors influencing PU and PEOU

In addition to the five hypotheses that have been argued above and that refer to the main research questions of this study, additional hypotheses are being posited. These propositions concern factors that may influence PU and PEOU in the case of SMEs, and they are investigated to derive more concrete managerial implications from the study. In doing so, the authors adopt the possibility of modifying TAM and incorporating additional constructs, similar to many other studies (e.g., Venkatesh and Bala 2008; Venkatesh and Davis 2000). In particular, external variables have frequently been shown to influence PU and PEOU (Legris et al. 2003; Yang et al. 2007). The proposed influence factors are more exploratory in character and have been gathered partially from in-depth interviews that the authors held with executives from different retail and wholesale companies.

The type of product has been found to have an influence on customer preferences for online buying (Grewal et al. 2004). In practice, highly different market shares of online selling can be observed between different product categories (e.g., Deloitte 2012). The reasons can be manifold, including different logistics costs for different product groups. While the PU of an online shop in a product group where online shopping remains rather irrelevant may be low, it is likely to rise with the increasing market relevance of online shopping. Therefore, the following is posited:

Hypothesis 5: The greater the expected market relevance of online selling in a specific product category, the greater the PU of an online sales channel.

Customer expectations can result in pressure on retailers to introduce an additional sales channel (Schoenbachler and Gordon 2002). For other technologies, such as EDI, it has been demonstrated by previous research that a major reason for SMEs to provide such technologies to customers is because of the external pressure customers exert (Iacovou et al. 1995). Therefore, it is expected that the perceived pressure by customers influences the PU of an online sales channel:

Hypothesis 6: The greater the perceived pressure by customers to offer an additional sales channel, the greater the PU.

Experience and knowledge of, e.g., specific activities, constitutes an important base for making decisions (Acedo and Jones 2007). In this study, PEOU refers to the ease of establishing and operating an online shop. It seems clear that this task becomes easier with increasing knowledge. Greater knowledge has been shown to facilitate the establishment of a new sales technique (Rawwas and Iyer 2013). Therefore, the following is posited:

Hypothesis 7: The greater the business knowledge about online selling, the greater the PEOU.

External support can help a company to establish and operate an online shop, which may be of particular relevance for an SME with its limited resources (Vaaland and Heide 2007). Thus, the perceived availability of adequate external support may be an influence factor on the perceived ease of establishing and operating such a shop. Previous studies have demonstrated that external support has a positive influence on PEOU (Igbaria et al. 1997; Lee 2008). It is not merely the quantity of external support but, rather, the perceived quality of the support offered that is supposed to improve the PEOU. Therefore, the following is posited:

Hypothesis 8: The better the perceived offer of external support to launch an online channel, the greater the PEOU.

To provide an online shop, technological resources play a major role and were also used in TAM (Mathieson et al. 2001). Resource limitations, which are quite common in the case of SMEs, affect the implementation of e-business strategies (Vaaland and Heide 2007). Hence, we expect that the availability of technical resources within a firm will positively influence the PEOU of online selling.

Hypothesis 9: The greater the level of technological resources available to an SME, the greater the PEOU of an online sales channel.

Resources have a critical impact on the success of a firm. The availability of resources is often intertwined with the size of a company, especially for SMEs (Karjalainen and Kemppainen 2008). Because resource limitations that may be rooted in the size of an SME affect company strategy (Vaaland and Heide 2007), we expect company size to influence the level of available (technological) resources.

Hypothesis 10: The larger the SME, the greater the level of technological resources.

To visualize our research model, Figure 4 summarizes the hypotheses and the relationships between the analyzed constructs.

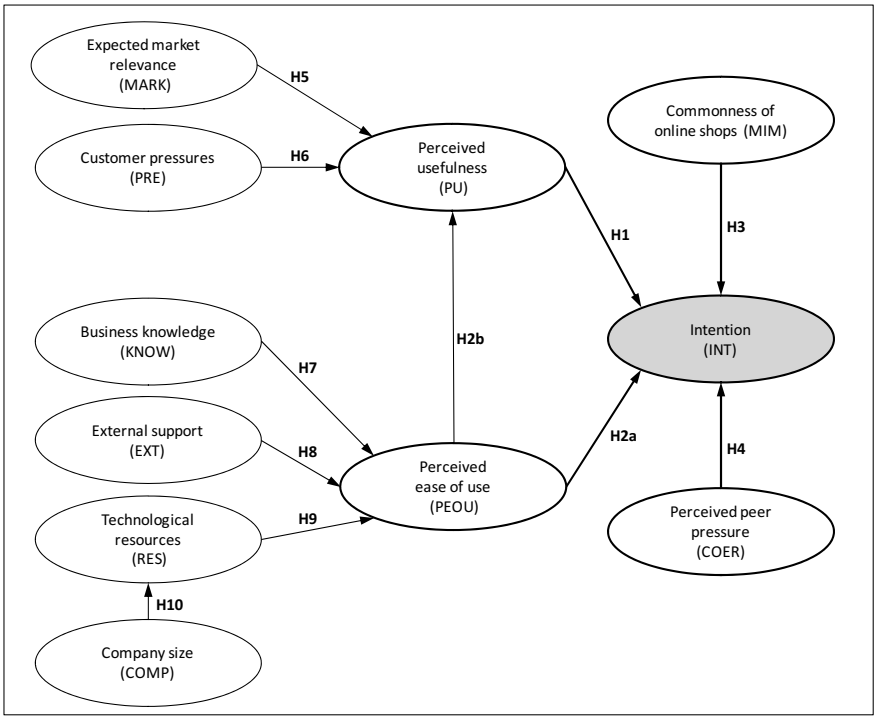

Figure 4: Proposed research model and hypotheses

Source: Own illustration.

3. Methodology

3.1 Research Design

To test our hypotheses, an online questionnaire was distributed to SME retailers and wholesalers during the fall season of 2012. A total of 5,332 companies, all members of seven German buying associations working in one or several retail and wholesale sectors, were addressed by e-mail (ANWR: shoes, sports equipment, leather goods; Beauty Alliance: perfumery/cosmetics/drugstore; Brillenprofi: ophthalmic optics; E/D/E and Nordwest: industrial safety, construction equipment, fastening systems, fixtures, factory equipment, hand/power/precision tools, building services, metalworking machinery, steel, technical trade; Garant Möbel: furniture and kitchen; Noweda: pharmaceuticals). Of the SMEs contacted, 1,013 participated in this study, yielding a response rate of 19 %. Among the respondents, retail companies account for 595 participants, while wholesalers account for 418 participants. After eliminating data

records with missing values on more than 10 % of the variables, the remaining cases of participants (n = 864) were used in the data analysis to test the model. The responding companies employ between one and 500 staff members, with 80 % of the firms having between one and 26 employees. Furthermore, the companies generate sales between EUR 0.1 and 190 million a year, with 80 % of responding companies achieving sales between EUR 0.1 and 7 million a year.[3]

3.2 Measures and Method

Multiple item scales were used to measure the research constructs. For the proposed model, the basic variables of TAM and their operationalisations were taken from Davis et al. (1989), Venkatesh and Bala (2008) as well as Venkatesh and Davis (2000) and were adapted to the context of online retailing. To measure the constructs "commonness of online shops" (MIM) and "perceived peer pressure" (COER), own operationalisations were developed. This was necessary because no well-established measurement instruments currently exist for mimetic isomorphism and coercive isomorphism (Mizruchi and Fein 1999; Sanders and Tuschke 2007). Detailed information on the measurement can be found in Table 6.

To test for a possible common method bias, Harman's single factor test was used (Podsakoff and Organ 1986). With respect to the present data, no single factor becomes apparent. Following the suggestion of Podsakoff et al. (2003), the marker variable technique was additionally used. A marker variable was included in the model as a latent variable that directly affects every other variable in the model. Only marginal changes in path coefficients and no changes in significance levels were found. Therefore, both methods indicate that common method bias should not present a major concern for the data set. Partial Least Squares (PLS) path modelling using the program SmartPLS (Ringle et al. 2005) was chosen for the analysis. PLS has become a popular research tool and has been used by researchers from numerous disciplines, including strategic management, management information systems, e-business, marketing and organizational behavior (Hair et al. 2013b). Due to its methodological advantages, PLE-SEM provides researchers with flexibility in modelling relationships, enables a nuanced testing of theoretical concepts (Esposito Vinzi et al. 2010; Hair et al. 2013b; Hair et al. 2013a) and avoids the problem of underidentification that can occur under covariance-based analysis (Bollen 1989). The aim of PLS is the optimization of the explanatory power of the model.

[3] To investigate the potential influence of the heterogeneous sample, the authors also ran the analysis after eliminating the 20 companies with the highest sales and the 20 companies with the highest number of employees. No effect on the results was detectable.

Table 6: Variables and items

Source: Own illustration.

Construct	Measurement model	Type of Measurement	Item	Measurement	Loading	*p*
Expected market share	r	L	MARK 1	We do not expect that online selling will stay a niche in our retail/wholesale sector in the medium to long term.	0.887	***
		FT	MARK 2	Market share of online shops 2016 in the sector in %.	0.635	***
		FT	MARK 3	Difference market share of online shops 2016-2011 in %.	0.589	***
Customer pressures	r	L	PRE 1	Our customers expect us to offer an online shop now or in the near future.	0.924	***
		L	PRE 2	Our customers will not approve in the long run, of not having the ability to shop online with us.	0.883	***
Business knowledge	r	L	KNOW 1	Our company has comprehensively dealt with online selling and is deep in the topic.	0.944	***
		L	KNOW 2	Our company has profound knowledge concerning possible models of online selling in our field of business.	0.908	***
External support	r	L	EXT 1	How satisfied is your company with the support offer of the buying association for launching and operating an online shop of their members?	1.000	***
Technological resources	f	L	RES 1	Our company has a high IT competency.	0.943	***
		L	RES 2	Our company has used a merchandise planning and control system for several years to support internal processes.	0.109	***
Company size	f	FT	COMP 1	Number of employees.	1.000	***
Perceived usefulness	f	L	PU 1	An online shop is useful to better fulfil the desires of our customers.	0.463	***
		L	PU 2	An online shop helps us to retain existing customers.	0.292	***
		L	PU 3	An online shop can generate profit in the medium term.	0.424	***
Perceived ease of use	r	L	PEOU 1	Launching and operating an online shop is not a major problem.	0.860	***
		L	PEOU 2	Designing and operating an online shop by our perceptions is not difficult.	0.791	***
		L	PEOU 3	Current online shop systems make it easy to develop an online shop.	0.901	***
Commonness of online shops	r	L	MIM 1	In our retail/wholesale sector, it is now common to have an online shop.	0.802	***
		L	MIM 2	Many of our competitors already operate online shops.	0.914	***
Intention	f	L	INT 1	Our company will launch for sure an online shop in the years ahead.	0.816	***
		L	INT 2	Our company will invest substantial amounts of money for launching and operating an online shop in the next years.	0.238	***
Perceived peer pressure	r	L	COER 1	(*inverse*) Other members of the buying association criticise it when colleagues operate an online shop.	0.799	***
		L	COER 2	Online selling is widely encouraged by other members of my buying association.	0.835	***

Note: f: formative measurement model; r: reflective measurement model; L: 5-point Likert scale (from 1 = "strongly disagree" to 5 = "strongly agree"); FT: numerical free text field; Significance of *t*-values (bootstrapping procedure, $n = 864$; 5,000 samples): ***$p < 0.001$, **$p < 0.01$, *$p < 0.05$.

Therefore, PLS is well suited for fields of research where specific effect relationships within the structural equation model or corresponding measurement models are not yet well established (Elbanna et al. 2013; Henseler et al. 2009).

4. Results and Discussion

4.1 Model Assessment

In contrast to covariance-based methods, PLS, with its distribution-free character, involves no assumptions about the distribution of measurement variables or the independence of observations (Henseler et al. 2009; Vilares et al. 2010). Thus, a global fit criterion to assess the performance of the model is unavailable, and non-parametric tests have to be used instead (Chin and Newsted 1999; Henseler and Sarstedt 2013). To overcome this issue, each part of the PLS model needs to be validated separately (Esposito Vinzi et al. 2010). A catalogue of criteria to assess partial model structures was provided by (Chin) and ensures that the results of the structural model can be used to draw reliable and valid conclusions (Lew and Sinkovics 2013).

Both formative and reflective measurement models were used in the research model. Initially, the reflective measurement models are evaluated with regard to their reliability and validity. For internal consistency reliability, a value above 0.7 in the early stages of research and values above 0.8 or 0.9 in advanced stages are regarded as satisfactory (Bagozzi and Yi 2012; Nunnally and Bernstein 1994). With all values of CR above 0.7, acceptable internal consistency reliability is obtained. In addition, the reliability of each indicator in our reflective measurement models was assessed following the procedure of Hair et al. (2013a). Furthermore, the convergent and discriminant validity was examined following Fornell and Larcker (1981). Convergent validity is obtained which was analyzed with the AVE. In the case of discriminant validity, the shared variance between the latent variable and its indicators should be larger than the variance shared with other latent variables (Hulland 1999). Such is the case for all constructs (cf. Table 7).

	CR	AVE	PRE	MARK	EXT	COER	MIM	PEOU	KNOW
PRE	0.899	0.816	1	0.237	0.012	0.168	0.315	0.018	0.094
MARK	0.753	0.513	0.487	1	0.000	0.076	0.184	0.002	0.026
EXT	1.000	1.000	0.108	-0.020	1	0.047	0.037	0.024	0.000
COER	0.801	0.668	0.409	0.275	0.216	1	0.176	0.014	0.014
MIM	0.849	0.739	0.561	0.429	0.192	0.420	1	0.005	0.043
PEOU	0.888	0.725	0.134	0.046	0.154	0.117	0.067	1	0.050
KNOW	0.923	0.858	0.307	0.162	-0.001	0.118	0.208	0.225	1

Note: Correlation (below diagonal) versus squared correlation (above diagonal).

Table 7: Composite Reliability, AVE and correlation matrix with shared variance estimates

Source: Own illustration.

All formative indicators were checked by calculating the variance inflation factors (VIFs) (Bollen 1989; Diamantopoulos and Winklhofer 2001). In our study, no indicator revealed a multicollinearity problem (VIF < 3 for all indicators). Furthermore, the weights were inspected; except for one item of the technological resources (RES 2), all formative indicators showed significant t-values (t > 3.29), as determined using a bootstrap procedure.

Reliable and valid outer model estimations allow an evaluation of the inner path model. The main focus is on the predictive power in terms of explained variance and the significance of path estimates. In our study, an R^2 of 0.528 for INT and of 0.418 for PU were calculated. Thus, the values for both INT and PU are moderate, and the model explains 52.8 % and 41.8 % of their variance, respectively. The R^2 values for PEOU (0.124) and RES (0.048) are rather low. Following Falk and Miller (1992), who suggested that the R^2 for endogenous variables should be greater than 0.1, the R^2 value for PEOU is still considered acceptable.

To determine statistical inference and confidence, a bootstrapping procedure (n = 864; 5,000 samples) was used. Almost all path coefficients show a high significance level (t > 2.58). The exception is the path from PEOU to INT, which has an insignificant t-value of 0.75. In addition, the effect size was evaluated with Cohen's f^2, which demonstrates the increase in R^2 relative to the proportion of the remaining unexpected variance of the endogenous latent variable. For the effect size, Cohen defines f^2 values of 0.02, 0.15 and 0.35 as small, medium and large, respectively (Chin; Cohen 1988). The path from PU to INT shows a large effect size (0.54), while that from MIM to INT is small (0.07). No significant effect size was detectable for the path from PEOU to INT. All other paths in the model show small to medium effect sizes (c.f. Figure 5).

The prediction capability of the model was assessed with Stone-Geisser's Q^2 using a blindfolding procedure (for a detailed description of blindfolding, see Tenenhaus et al. 2005). For all latent endogenous variables, the value is greater than zero (PU: 0.291; PEOU: 0.069; INT: 0.422; RES: 0.037), and predictive relevance is given.

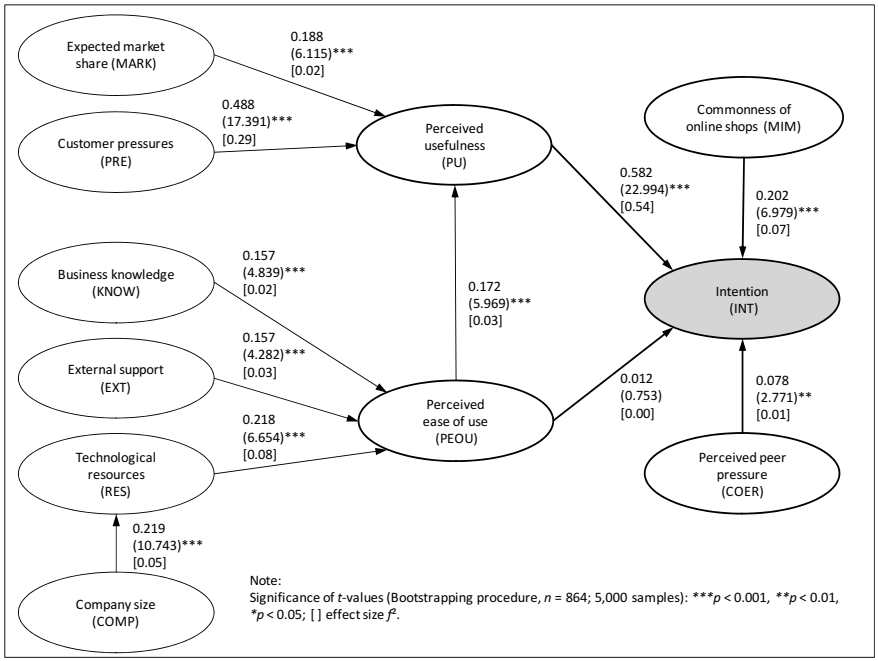

Figure 5: Path coefficients, t-values, significance levels and effect size

Source: Own illustration.

4.2 Hypotheses Testing and Results

The results of the hypotheses testing and the estimated path coefficients and t-values are presented in Table 8. The findings for the core hypotheses are described as follows. In hypothesis 1, a positive effect from the perceived usefulness of online selling on the intention of a company to launch an online shop was posited. The findings show a strong impact of PU on INT; PU emerged as the most influential factor in our study. Hence, rational explanatory factors have a strong impact, and the intention to launch an online shop is influenced through aspects of PU; hypothesis 1 was supported by the data. Contrary to hypothesis 2a, the perceived ease of use showed no significant direct effect on the intention in our analysis; thus, hypothesis 2a had to be rejected. This mirrors previous TAM studies, where the direct effect from PEOU to INT was also not supported (Gefen and Straub 2000; Svendsen et al. 2011). However, an effect from PEOU to PU was detectable, which supports hypothesis 2b.

Moreover, a significant positive effect of how common it is to have an online shop in the retail or wholesale sector on the intention of an SME to establish an online shop

was observed. This result shows, as hypothesized, that the intention to start online selling is not only driven by rational arguments of usefulness but also by mimetic isomorphism, i.e., by influences from the environment and from the decisions of other retailers or wholesalers. Hence, hypothesis 3 is supported by the data. Hypothesis 4, which proposes that the perceived pressure from other organizations in the environment of an SME positively affects the intention to launch an online shop, was also supported. Thus, coercive isomorphism also plays a role.

Hypotheses 5-10, which investigate antecedents of perceived usefulness and perceived ease of use within the context of online selling by an SME, were all supported by the data (cf. Table 8).

As a potential alternative explanation of the effect of company size, a direct influence of the company size on the intention to launch an online shop was also tested. However, neither a significant β coefficient nor an f^2 that would indicate a relevant relationship were detected. Thus, company size mainly influences the intention to launch an online shop via the available technological resources, which influence the perceived ease of use of such a channel.

Hypothesis	Path of the structural model			β	t-value	p	f^2	H: ✓/✗
H1	PU	→	INT	0.582	22.994	***	0.54	✓
H2a	PEOU	→	INT	0.012	0.753		0.00	✗
H2b	PEOU	→	PU	0.172	5.969	***	0.03	✓
H3	MIM	→	INT	0.202	6.979	***	0.07	✓
H4	COER	→	INT	0.078	2.771	**	0.01	✓
H5	MARK	→	PU	0.188	6.115	***	0.02	✓
H6	PRE	→	PU	0.488	17.205	***	0.29	✓
H7	KNOW	→	PEOU	0.157	4.839	***	0.02	✓
H8	EXT	→	PEOU	0.158	4.282	***	0.03	✓
H9	RES	→	PEOU	0.218	6.654	***	0.08	✓
H10	COMP	→	RES	0.219	10.743	***	0.05	✓

Note: Significance of t-values (bootstrapping procedure, n = 864; 5,000 samples): ***p < 0.001, **p < 0.01, *p < 0.05.

Table 8: Tested hypotheses and path coefficients

Source: Own illustration.

5. Conclusion

5.1 Conclusion, Limitations and Research Implications

Even though the main objective of this study was to test the influence of institutional pressure on the intention to establish an online shop and not to provide a complete explanatory model, the proposed model explains 52.8 % of the variance of the dependent variable. The results of this study indicate that PU, as a major aspect of

rationality, has the strongest effect on the intention to establish an online shop. Indeed, PU dominates all other justification paths, which is similar to the findings reported by other studies (e.g., King and He 2006; Lee et al. 2003).

However, as Svendsen et al. (2011) stated, constructs other than PU and PEOU may also affect technology acceptance. In the present data set, beyond rational arguments, the intention to launch an online shop is affected by mimetic isomorphism, i.e., mimicking the behavior of other firms in the environment. Coercive isomorphism, i.e., adapting to perceived pressure from the peer group of an SME, also shows a significant influence on the intention, although not as pronounced. Hence, firms in the sample more intensively followed what a larger group of companies in their environment did rather than responding to perceived pressure from peers. In all, these results support the assumption that the decision of SME retailers and wholesalers to establish an online shop is affected by institutional influences from the environment – seeking legitimacy indeed matters.

The implications for further research are strongly related to the limitations of our study. Given the practical restrictions of the length of our survey, the constructs COER and MIM were measured with only two items each even though the constructs are considered to be complex (Mizruchi and Fein 1999; Sanders and Tuschke 2007). Further research is needed to develop a more detailed operationalization of COER and MIM within the context of SMEs. While this study focuses on the question of whether an SME mimics the behavior of a larger group of companies within the trade sector, other authors note that there might also be a “follow-the-leader” behavior (Haveman 1993), i.e., companies may tend to follow a few successful first-movers. With a modified operationalization of the variables for institutional pressures, this question should be researched as well. This research could identify which groups within the environment of an SME exert a particularly strong influence on the behavioral intentions and which groups or single companies serve as role models for mimetic behavior.

Additionally, the sample consisted only of German companies. Although there is no theoretical reason to assume that the relationships in the model are different in other countries, this issue remains to be empirically investigated.

The study results are limited also by the single respondent approach. However, the authors preferred to maximize the number of participating companies; seeking multiple respondents in each organization most likely would have drastically reduced the number of responding companies. Still, future research could try to approach several respondents in each SME.

Finally, in this paper, a model for SMEs was proposed, and only SMEs were investigated. Collecting data on large retail and wholesale companies would allow for

a comparison of whether the factors influencing the intention to launch an online shop differ between SMEs and large companies.

5.2 Implications for Managers

The most important managerial implications concern external experts and the buying associations in which many of the SME retailers and wholesalers are organized. Currently, executives from buying associations are encouraging their members to open online shops and close the gap to larger competitors because SMEs are considered to lag behind larger companies (Rawwas and Iyer 2013). The present study provides such executives with findings on how to promote the establishment of online shops to their members. Before those are pointed out, it is important to note that in this study, there was no investigation of the performance effect of establishing an online shop. Thus, the underlying assumption of buying groups that it is beneficial to their members to open an online shop, has not been tested.

The intention of an SME to establish online selling is not only affected by aspects of rationality but also by institutional influences. First, SMEs often observe what their competitors and peer companies do and take this into account in their decision-making. The imitation of practices plays an important role. Second, if relevant companies in the environment of an SME exert peer pressure and encourage the launching of an online shop, SME retailers and wholesalers conform to that pressure. However, "voluntary" mimetism seems to have a stronger impact than perceived peer pressure; mimetic isomorphism is stronger than coercive isomorphism. From the viewpoint of a buying association, they can use this result by showcasing best practice examples from within their membership base to stimulate other members to imitate that behavior. In particular, instead of attempting a "top-down" approach with the buying association's headquarters, the buying association should stimulate discussions among its members and actively highlight the existing online shops.

By investigating aspects determining the perceived usefulness and the perceived ease of use, additional managerial implications can be derived from this study.

The perceived offer of external support has been shown to improve the perceived ease of establishing and operating an online shop. Thus, buying associations can influence the PEOU of their members by providing a broad and good support offer for their members' online shops, as indicated by the results.

Moreover, for SMEs, the availability of technological resources, particularly for the launch of an online shop, often is a crucial factor (Vaaland and Heide 2007), and this study has demonstrated that the availability of technological resources enhances the perceived ease of use. The smaller the company, the lower these resources, as the study has shown. Thus, buying associations can improve the technological resources in

particular of their smaller members, e.g., by the provision of master data, by developing interfaces to existing information systems of their members or by hosting the online shop.

The perceived usefulness is the major influence factor on the intention to launch an online shop, and perceived customer pressure is the most influential factor on PU. From the perspective of customers of SME wholesale or retail companies, this finding shows that they can exert a strong influence on their suppliers by clearly voicing their preferences for such a channel. If a buying association is convinced that their members' customers expect an online shop, they can conduct market research among the members' customers and make use of the results to demonstrate the usefulness of an online shop.

Overall, the findings indicate that the investigated variables are of high relevance in explaining an SME's intention to start an online shop and can thus be used to actively influence this behavior.

Part III: Foreign Market Selection of Online Retailers – A Path-dependent Perspective on Influence Factors (Essay 2)[4]

1. Introduction

The emergence and quick rise of online shops has dramatically changed the retail industry over the last decade (Gartner Industry Research 2012). E-commerce already accounts for 2.45 % (EUR 423 bn) of European GDP (E-Commerce Europe 2015). At the same time, internationalization of retailers is an ongoing trend. Both the convergence of markets and the limited possibilities for sustainable growth in home markets have caused more and more retailers to internationalize their operations; being present in and managing a diverse set of country markets has become a critical task (Assaf et al. 2012). Whereas this trend has been discussed in the retail literature for store-based retailers, it has rarely been investigated for online retailers, even though online retailers appear to internationalize more rapidly than and differently from brick-and-mortar retailers (Dawson and Mukoyama 2014; Schu et al. 2016). One arguable reason for this is that the internet significantly reduces psychic barriers and makes internationalization a cost-effective and more viable option (Buckley 2011; Sinkovics and Penz 2005; Wen et al. 2001).

International market selection (IMS), which refers to the choice of which country or countries to enter, is a strategic decision for a firm and needs to be made with meaningful deliberation and care (Douglas and Craig 2011). It can affect the appropriateness and applicability of firm-specific advantages and transaction costs as well as the ability of firms to effectively transfer knowledge (Brouthers et al. 2009). Hence, many scholars have emphasized in their writings that IMS decisions are a critical success factor in international market expansion (Papadopoulos and Martín 2011). Despite this recognized importance of IMS in IB literature, little is known about how IMS decisions are made and the majority of IMS research focuses on manufacturing companies (Andersen and Buvik 2002; Brouthers et al. 2009; Musso and Francioni 2014; Buckley et al. 2007).

Several scholars stress in their writings that this research area is characterized by two main problems: first, a high level of fragmentation and second, a relative lack of representative empirical studies, resulting in the impediment of both, the reduction of fragmentation as well as the development of theory and in particular the combination of existing theories to explain the choice of international markets by a firm (Brouthers

[4] This essay is published as: Schu and Morschett (2017): Foreign market selection of online retailers — A path-dependent perspective on influence factors, International Business Review (IBR), http://dx.doi.org/10.1016/j.ibusrev.2017.01.001.

M. Schu, *Online Growth Options for Retailers*, Handel und Internationales Marketing / Retailing and International Marketing, DOI 10.1007/978-3-658-18215-1_3

and Nakos 2005; Ragland et al. 2015a; Papadopoulos and Martín 2011; Brouthers et al. 2009; Leonidou et al. 2002).

To date, the different streams of IMS research are not closely connected, neither in retail research nor in the field of IB research (Swoboda et al. 2009). Papadopoulos et al. (2002, p. 166) note that in this context the literature is "limited to either general qualitative frameworks or operational models that have not been tested sufficiently, offer little or no evidence that they can in fact predict market attractiveness and/or are in fact too complex to apply in practice". This statement also holds true for IMS in the retail sector (Gripsrud and Benito 2005; Swoboda et al. 2009; Elsner 2014): the selection of international markets by retailers is neither well researched nor well supported by theoretical explanations. The abovementioned scholars list studies on retailers' IMS and from these studies, it becomes evident that none of them investigate the specific case of online retailers.

Anecdotal evidence shows that the internationalization of online retailers over time may be described with the help of 'internationalization paths', resulting in a hierarchy of countries ranked in the order of entry. The underlying assumptions are that preferences of the online retailers, developed over time, determine the order of their market selections, that previous market selections (and thereby the existing country portfolio of the retailer) play a role and that decision makers combine attributes of countries into overall evaluations of the attractiveness of these countries while maximizing their utility (Weesie 2003).

Using the example of Zooplus, a German pet supply online retailer, this path-dependent behavior can be illustrated, even though the reasons for this order of actions are speculative because we do not have any information on this specific question. Zooplus' first foreign market was Austria, a country with the same language as Germany and low cultural and low geographical distance. Switzerland was Zooplus' fourth foreign market; it also has low cultural distance and the same language in major parts of the country but it has higher institutional distance because it is not a member of the EU. Country no. 2 was the UK, country no. 3 France, country no. 5 Denmark. All of these countries have a similar rule of law as the home country and the previously entered countries, all have similar incomes per capita, all are geographically close to the home country and can be served by logistics from the home country. In France, a logistics center was established from which Zooplus serves not only France but also the countries it entered later: Spain (country no. 10, with a rather large market size) and Portugal (country no. 26, with a smaller market size and further geographical distance). Poland was entered as country no. 6. It is geographically close to the home country but has different market characteristics than the previously entered countries. However, with Zooplus' experience, gained from its portfolio of previously entered countries, this was manageable. Poland was first served logistically from Germany; then, a logistics hub was established in Poland itself from which Zooplus serves other Eastern European

countries that it entered later (e.g., Slovac Republic, no. 12; Czech Republic, no. 14; Romania and Bulgaria, no. 16 and 18, respectively). Further steps into Scandinavia, South-Eastern Europe and even Russia and Turkey followed. As of 2015, Zooplus has entered 31 foreign markets, with Cyprus and Malta being the latest ones (Zooplus 2015, 2016).

To contribute to current IMS research, our paper aims to combine the descriptive approach of IMS research and the specific international stage approach (Swoboda et al. 2009) to investigate market selection in a particular internationalization step. With a focus on the IMS behavior of online retailers, we also aim to contribute to the relatively young discipline of research on online retailing that is emerging within international retail research. The objective of this paper is to investigate and empirically test, with a sufficiently large dataset, influence factors on the market selection in the European online retail sector, based on dynamic, firm-specific capabilities, an institutional view of IMS, and the distance between countries. We examine the effects of economic factors, the role of cultural and geographic distance in an online retail context, institutional effects in the respective target countries as well as the effects of experience and local market knowledge in the respective target countries. In doing so, we statistically reproduce the dynamic process of firm's international market selection over time as a path-dependent sequence of its internationalization steps. This allows us to observe how different attributes contribute to overall evaluations of the attractiveness of chosen markets, assuming that online retailers attempt to maximize the utility of markets for their specific interests.

The remainder of this paper is organized as follows: first, the theoretical background of our study is presented and the hypotheses are developed, followed by details regarding the research design and method. Our results section contains the hypotheses testing with a rank-ordered logistic regression model using data from the market selection behavior of 140 European online retailers from a geographically diversified country sample (all EU countries plus Norway, Russia, Switzerland, and Turkey), containing 825 market entries. Finally, we draw conclusions, discuss limitations of the study and provide implications and suggestions for further research.

2. Theory and Hypotheses

2.1 International Market Selection and Conceptual Framework of the Study

Decisions relating to international market selection (IMS) are considered to be strategic; they are the most critical decisions in a firm's internationalization strategy and are directly related to firms' success or failure abroad (Brouthers and Nakos 2005; Brouthers et al. 2009; Ellis 2000; Musso and Francioni 2014; Papadopoulos et al. 2002; Papadopoulos and Martín 2011; Sakarya et al. 2007). Moreover, IMS is seen as a

determining factor in a firm's international performance in the long-term (Brouthers et al. 2009). IMS research examines how a firm selects its host country target markets abroad (Brouthers et al. 2009; Douglas and Craig 1992) and involves the analysis of comparable information on countries, industries, products and/or consumers (Papadopoulos and Martín 2011).

Within the IMS research stream, three different approaches can be distinguished (Swoboda et al. 2009): (1) normative approaches, (2) descriptive approaches and (3) specific international stage approaches. Normative approaches aim to provide recommendations on how retailers should select foreign markets. A normative approach in the retail sector is used in the work of Gripsrud and Benito (2005), who analyze the attractiveness and the perceived distance of markets. Descriptive approaches examine the way in which firms select foreign markets. They are responsible for the early theory-building of this research field (Papadopoulos et al. 2002; Swoboda et al. 2009). In international market selection, aspects of geographic and cultural distance as well as geographic proximity are identified as being of high relevance (e.g., Alexander et al. 2011; Annushkina and Colonel 2013; He and Wei 2011; Myers and Alexander 2007; Sakarya et al. 2007; Vida 2000). Further studies analyze the selection of and/or entry into specific countries (Alexander and Silva 2002; e.g., Alexander et al. 2007). The third group is composed of the so-called specific international stage approaches. This relatively new research stream examines the development of international firms across country markets and tests assumptions regarding patterns of international expansion and the market selection decisions on which they are based (Alexander et al. 2011; Swoboda et al. 2009). In retail research, this approach was introduced by the work of Alexander (1997), who describes stages within retailers' international expansion. As an example, Waarts and van Everdingen (2006) examine to what extent the expansion sequence patterns of retailers operating in Europe are driven by cultural factors; they also provide country clusters.

Researchers agree, that there is still only limited knowledge of how international market selection decisions are made and that the use of existing theories to explain how firms choose international markets is scarce (e.g., Brouthers and Nakos 2005; Brouthers et al. 2009; Ellis 2000). Although initial attempts have been made in the last decade to explain the IMS of online retailers (e.g., Kotha et al. 2001; Lynch and Beck 2001; Oxley and Yeung 2001; Rothaermel et al. 2006), the number of studies of the IMS of online retailers in the retailing literature is negligible. As an example, in the overview article of Swoboda et al. (2009), in which studies of market selection by retail companies over two decades are listed, not a single study is dedicated to the IMS of online retailers. Online retailers are different in their IMS from traditional brick-and mortar retailers because they use the internet as a new way to conduct business (Loane et al. 2004) and they tend to internationalize earlier and faster than brick-and-mortar retailers (Schu et al. 2016) by using a 'get-big-fast' strategy in their internationalization behavior to intensively develop, expand and retain their customer

base (Amit and Zott 2001; Oliva et al. 2003). Inter alia, at least in their initial internationalization phases, online retailers ship their products from the home market to the host market. Given their distant relationships with customers, distance, delivery speed, and the rule of law, e.g., with regard to payment and customer rights, may have a different relevance for online retailers than for store-based retailers. However, we also expect online retailers to differ from the companies typically investigated in research on born globals. These are frequently knowledge-intensive companies in biotechnology, software or other fields (Gabrielsson and Kirpalani 2004; Gabrielsson et al. 2008; Laanti et al. 2007; e.g., Autio et al. 2000; Bjørnåli and Aspelund 2012) that, unlike online retailers, either do not have any physical logistics at all or at least do not conduct high frequency transports of rather low-value products to foreign markets. Furthermore, most of the born globals in the existing studies sell their products to other companies, while online retailers sell to private consumers, which entails different legislation, marketing requirements and payment requirements.

To contribute to current IMS research, our conceptual framework (cf. Figure 6) aims to combine the aspects of the three abovementioned approaches to IMS that are relevant for online retailers. In doing so, we focus on the effects of economic factors, the role of cultural and geographic distance in an online retail context, the effects of experience and local market knowledge in respective target countries and on institutional effects in the respective target countries. As an underlying theoretical foundation, we use elements of institutional theory in our framework and connect them with a dynamic capabilities approach, assuming that companies learn to work under distant institutional conditions over time. In particular for younger firms who often lack resources and experience, Cavusgil and Knight (2015) emphasize the role of the unique dynamic capabilities and strengths of the firm as effective drivers of learning and early internationalization.

In fast-moving business environments open to global competition, as is the case for online retailing, which is characterized by dispersion of its geographical and organizational sources of innovation, a sustainable advantage requires capabilities (Teece 2007). Capabilities, including skill acquisition, knowledge, and learning, as well as the building and reconfiguring of internal and external competencies are intimately tied to firms' internationalization paths (Teece 2007; Teece et al. 1997; Prange and Verdier 2011). These capabilities can be applied in foreign markets or firms may use them as a source for obtaining or developing new capability-based advantages over time (Brouthers and Hennart 2007; Luo 2002; Madhok 1997; Tsang 2000). According to institutional theory, the institutional environment of a country reflects the 'rules of the game' and affects firm boundary choices and how firms may participate in a foreign market (Brouthers and Hennart 2007). Compared with domestic markets, foreign markets may be different in terms of culture as well as economic, geographic and political aspects; these aspects of the institutional environment have an impact how a firm does business, manages people, connects with customers and interacts with the

government in a foreign market (Berry et al. 2010; He et al. 2013; Kostova and Zaheer 1999; Scott 1995).

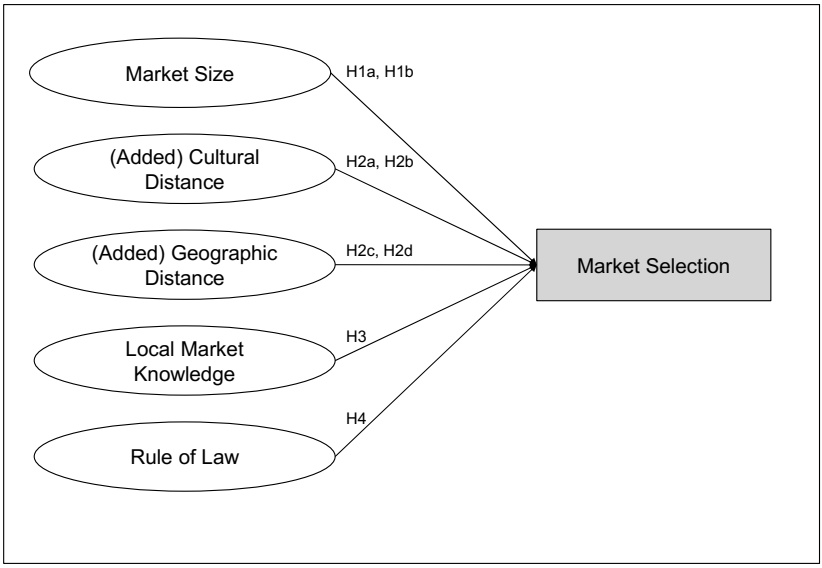

Figure 6: Conceptual framework

Source: Own illustration.

Despite decades of research, scholars have not yet provided a comprehensive analysis of which country differences are most relevant for specific business decisions and learning (Berry et al. 2010). Our model therefore identifies and tests, beyond classical macro-economic factors like GDP and market size, institutional factors and, relatedly, capabilities-based factors that may influence the market selection decisions of online retailers and their selection preferences over time. Following the logic of the internationalization process model (Johanson and Vahlne 1977), we assume the market selection of online retailers to be path-dependent, with the market selection in each internationalization step being dependent on the previous internationalization steps. Hence, this study investigates every individual internationalization step to emphasize the path-dependency of internationalization processes in which past actions may influence future operations in international markets.

2.2 Market Size and International Market Selection

Institutional theory emphasizes that national business systems are "particular arrangements of hierarchy-market relations becoming institutionalized and relatively successful in particular contexts" (Whitley 1992, p. 10). Countries differ to varying degrees in terms of their business systems, e.g., in their economic or financial perspectives, and economic aspects are seen as major influence factors on the choice of foreign markets (Berry et al. 2010).

A major motivation for firms to internationalize is to gain access to markets that offer a large customer base for the products and services they offer (Ojala and Tyrväinen 2007). Firms tend to prefer countries with attractive markets because larger markets offer more opportunities for greater returns and therefore more incentives for firms to invest (Agarwal and Ramaswami 1992; Townsend et al. 2009). Furthermore, larger markets provide, in general, a more open environment that allows more companies to coexist (Dollinger and Golden 1992). In their study of large U.S. internet firms' market selection, Rothaermel et al. (2006) propose that the size of the market reduces the perception of negative aspects such as uncertainty or cultural distance. From the perspective of IB and retail internationalization literature, studies generally indicate that managers tend to prefer countries with a large market size in their IMS (Brewer 2001; Ojala and Tyrväinen 2007; Robertson and van Wood 2001; Sternquist 2011; Swoboda et al. 2007; Terpstra and Yu 1988). Market size provides a basis for determining the sales potential for a firm (Townsend et al. 2009). With regard to online retailers, the same arguments hold true even though the influence has, to the best of our knowledge, not yet been empirically tested. We expect that larger markets will be preferred in the selection and order of entry into markets along the internationalization path. Hence, we posit:

Hypothesis 1a: A larger market size in the target country has a positive effect on an online shop's propensity to select a specific country market.

Whereas the literature provides strong evidence of the impact of market size in terms of GDP on the selection of a target country, the impact of vertical market size – which characterizes the market size in a specific market segment, like online retailing – has been largely ignored in previous studies (Ojala and Tyrväinen 2007). In our case, vertical market size can refer to the e-commerce turnover of goods per year in the respective target market. The vertical market size in the respective year may be a more fine-grained and specific criterion (compared to a general market view) for assessing the attractiveness of the relevant market in the target country. Therefore, we posit:

Hypothesis 1b: A larger market size of the e-commerce market of the target country has a positive effect on an online shop's propensity to select a specific country market.

2.3 The Effects of Distance on IMS

Developments in transportation technology as well as information and communication technology, combined with various political, economic and social developments have led to an increasingly integrated, less distant world (Brock et al. 2011) from which online retailers should be able to profit. However, international expansion, as a dynamic process, still causes firms to be confronted with substantial challenges, and in essence, "international management is management of distance" (Hutzschenreuter and Horstkotte 2013b; Zaheer et al. 2012, p. 19).

Uncertainty has been shown to influence the market selection of internet firms (Rothaermel et al. 2006). In IB research, cultural distance is regarded as a significant source of uncertainty derived from the environment; it increases the complexity a firm faces and the costs of doing business (Daft 2013; Hutzschenreuter and Voll 2008; Townsend et al. 2009). Unfamiliarity with local markets and differences in cultural values between the home and the target country provide a further level of uncertainty for firms and confront them with the so-called 'liability of foreignness' (Kogut and Singh 1988; Nachum 2010; Rothaermel et al. 2006; Shenkar 2001). In their Uppsala internationalization process model, Johanson and Vahlne (1977; 2009) explain the characteristics of the internationalization process of firms, in which internationalization is portrayed as a gradual, step-by-step and path-dependent process, based on the establishment chain and on psychic distance[5]. Psychic distance designates "factors that make it difficult to understand foreign environments" (Johanson and Vahlne 2009, p. 1412). According to this concept, distance generally has a negative and decelerating effect on internationalization (Hutzschenreuter et al. 2014).

Scholars provide evidence that a firm's decision to enter certain international markets is affected by cultural differences (Rothaermel et al. 2006; Townsend et al. 2009). In fact, in the retail sector, researchers highlight the particularly strong impact of cultural distance (Mooij and Hofstede 2002). Sternquist (2011) emphasizes the importance of cultural proximity for the expansion of retailers, whereas Vida (2000) claims that retailers may choose to enter countries that are culturally more similar to the home country before entering countries with dissimilar cultures. Despite competing in marketplace of the "borderless" worldwide web, online retailers may currently still be affected by cultural distance, as already noted but not empirically investigated by Ragnan and Adner in 2001. Hence, we posit:

[5] Kogut and Singh (1988) claim that in IB research, 'cultural distance' is, in most aspects, seen as similar to 'psychic distance' used by the Uppsala school. As a result, the concepts became blurred in IB research. For a detailed examination, see Håkanson and Ambos (2010).

Hypothesis 2a: Higher cultural distance between the home country and the target country has a negative effect on an online shop's propensity to select a specific country market.

Cultural distance, therefore, is seen to create complexity, and the amount of complexity that a firm is successfully able to handle per unit of time is limited (Hutzschenreuter and Voll 2008; Vermeulen and Barkema 2002). For traditional firms, IB research has shown that internationalization often occurs along a psychic distance chain – an internationalization path along which the existing country portfolio influences decisions to enter subsequent (Johanson and Vahlne 1977). In this context, Tung and Verbeke (2010, p. 1268) note, "what matters in the case of a new entry is not so much the distance between the home country A and the host country B, but between the newly entered host country B and the host country C, where the firm already has substantial experience and that shows the lowest distance to the newly entered country B". A firm can mitigate the effects of cultural distance through experiential learning and previously acquired knowledge about a market already entered and close to the target country (Townsend et al. 2009). In this context, Mitra and Golder (2002, p. 353) propose the concept of 'near-market cultural knowledge', which is defined as "the understanding of potential new markets based on knowledge generated from operating in similar markets". The idea is that a firm is notably active in collecting and disseminating experience and knowledge about each market the firm has already entered. This acquired knowledge may increase the likelihood that the firm will enter similar markets. Hence, having a presence in a neighboring, similar market can help to reduce the uncertainty evoked trough a new target market (Gielens and Dekimpe 2007; Mitra and Golder 2002; Townsend et al. 2009). In line with Ragnan and Adner (2001), we expect that the internet neither eliminates physical borders nor reduces the need for learning, gaining experience and adapting to local market conditions for firms aiming to successfully compete in the apparently global world of online business. To confirm that acquired international experience and market knowledge can alleviate the challenges of distance for an online retailer, the concept of 'added distance' (Hutzschenreuter and Voll 2008) is useful. This concept considers for every single expansion step the distance to the closest market the online retailer has already entered in previous steps. We argue that a higher added cultural distance of a target market compared to the portfolio of countries that the online retailer has already entered, negatively affects a firm's likelihood of entering this new target market, and we posit:

Hypothesis 2b: Higher added cultural distance between a retailer's existing country market portfolio and the target country has a negative effect on an online shop's propensity to select a specific country market.

In addition to cultural distance, geographic distance has been identified as a significant factor for firms in the process of selecting their target countries (e.g., Baaij and Slangen

2013; Berry et al. 2010; Dow 2000; Ojala and Tyrväinen 2007). Moreover, geographic distance is identified as the most fundamental and least disputed form of cross-national distance (Asmussen and Goerzen 2013; Dastidar and Zaheer 2010; Håkanson and Ambos 2010). Geographic distance refers to the spatial separation of two countries and has been argued in the international trade literature to be an indicator of trade resistance due to associated transportation and communication costs (Berry et al. 2010; Hutzschenreuter et al. 2014). As demonstrated by the so-called 'gravity models' for the prediction of international trade patterns, geographic distance creates significant barriers for firms (Evenett and Keller 2002; Håkanson and Ambos 2010; Leamer and Storper 2001). In recent decades, improvements in transportation and communication technologies such as the internet have radically reduced the friction of distance as well as the costs related to geographic distance, with a tremendous impact on the international flows of both physical goods and information (Håkanson and Ambos 2010; Hummels 2007). Nevertheless, research on predicting international trade patterns has consistently implied that absolute geographical distance imposes significant barriers and increases, in addition to transport costs, the costs of uncertainty for a firm (Ellis 2007b; Evenett and Keller 2002; Leamer and Storper 2001). As anecdotal evidence shows, many online retailers, at least initially, still serve customers in foreign markets from a distribution center in their home country, e.g., with cross-border transport. Cross-border business is generally associated with transportation and communication costs that are directly related to geographic distance (Hutzschenreuter et al. 2014). In particular, for online retailers shipping goods from a central warehouse in the home country to the final customer in a host country, a greater distance may significantly increase these shipping costs. Therefore, we posit:

Hypothesis 2c: Higher geographic distance between the home country and the target country has a negative effect on an online shop's propensity to select a new country market.

Many firm-level characteristics could influence the perception of distance, including the specific portfolio of country markets, as well as firm-specific assets and capabilities (Zaheer et al. 2012). Considering the added geographic distance, i.e., the geographic distance between a potential new country market and the existing country portfolio, may be relevant for online retailers, because already-entered countries can be used as logistics hubs from which neighboring countries can be served better than from the home country; this would be less costly than setting up a distribution center in each individual market. Thus, target markets that are geographically close to the existing country portfolio can be better served at relatively low cost. The illustrated example of the German online pet supply retailer Zooplus demonstrates this. After its foundation in 1999, a first logistics hub was opened in France in 2006 to better serve the southern-European market, with a focus on Spain, Portugal and Italy. A second hub followed in 2007 to better serve Zooplus' eastern-European markets. In 2008, a third logistics hub opened in the Netherlands focusing on the market development in the Benelux

countries. Low added geographic distance makes these synergies easier to achieve. Thus, we posit:

Hypothesis 2d: Higher added geographic distance between a retailer's existing country market portfolio and the target country has a negative effect on an online shop's propensity to select a specific country market.

2.4 Other Retail Channels in Foreign Markets as Influence Factors

Learning can reduce the negative impact of institutional distance between two country markets on firm performance in the host country; thus, prior experience with a certain target country may increase a firm's likelihood of entering a target country (Chetty et al. 2006; Davidson 1980). Within the group of online retailers, not only internet pure players internationalize. A number of online shops belong to multi-channel retailers that provide other retail channels besides an online shop, e.g., a catalogue or brick-and-mortar stores. These other retail channels may already be present in specific foreign markets. Barkema et al. (1996) show that a firm accumulates procedural knowledge about a particular country when it has conducted other business deals in that country, e.g., selling goods to customers. The experience a firm acquires through doing business in a foreign country market will increase its ability to acquire and also apply this new knowledge and will increase the firm's success rate when in doing business in the country. Moreover, this acquired experience emerges as a key factor affecting a firm's competitive advantage and creates new opportunities in a host market (Teece 1998; Teece 2007).

Even though there is a potential risk of channel conflict when a retailer establishes a further sales channel in a country, scholars have shown that channel conflicts and cannibalization through an existing additional online channel are often less relevant than the benefits that a retailer can achieve by operating multiple channels (Geyskens et al. 2002; Verhoef et al. 2015). The use of cross-channel strategies may generate synergies and promote the exchange and creation of knowledge. As a result, we expect that country knowledge acquired over time can be transferred to other sales channels, and thus this may affect the selection of a market for an additional online shop. Therefore, we posit:

Hypothesis 3: The presence of other sales channels of the company in a target country has a positive effect on an online shop's propensity to select a specific country market.

2.5 The Impact of Rule of Law on IMS

Institutional theorists (e.g., DiMaggio and Powell 1983; Meyer and Rowan 1977; Scott 1995) note that organizations have to conform to formal and informal rules and beliefs systems dominating the local environment, which may be considered as key

determinants of the behavior and structure of a firm (Xu and Shenkar 2002). These rules and belief systems in a firm's home country, as well as in potential target markets, can have complex influences on firms' IMS and entry strategy (Kouznetsov 2009). Based on the idea of institutional factors as responsible for possible differences between countries (e.g., Child and Tsai 2005; Eden and Miller 2004; Kostova 1997; Kostova et al. 2008), a new research stream has emerged, recognizing that the classical concept of cultural distance cannot fully explain the complexity of country differences and instead focusing on the critical role of regulatory and governance institutions (Hutzschenreuter et al. 2014; Xu and Shenkar 2002). Institutions' regulative pillars characterize governance factors – the existing laws and rules in a country – and promote or restrict firm and industry behavior (Zaheer et al. 2012; Scott 1995). Contrary to the prevalent view in the literature, which focuses on differences and regulative distance between countries and, as a result, the increase in uncertainty and the risk of misjudging governmental reactions (e.g., Dow and Karunaratna 2006; Evans and Mavondo 2002; Hutzschenreuter et al. 2014; Pedersen and Petersen 2004), other authors emphasize that host country context may be more relevant than distance (Harzing and Pudelko 2016). With regard to online retailing, we consider absolute values in the regulative pillars instead of distances. We assume that if an online retailer from a home country with weak regulative conditions would enter a host country with excellent regulative conditions for firms, even though this would be a large regulative distance between home and host country, this positive regulative context reduces the risk of doing business in this market, compared with a market with a smaller regulative distance but weaker legal conditions.

For online retailers, Oxley and Yeung (2001) define rule of law as the prevalent part of the regulative pillars, whose strength may affect transactional integrity in online retailing and thus the market selection of online retailers as well. Moreover, they identify three advantages for online retailers in countries with a strong rule of law: (1) higher transparency and stability regarding the boundaries of acceptable behavior, thus reducing the company's uncertainty about what legal protection they can expect; (2) effective punishment of transgressors, thus lowering the costs of reputation-building for honest business; and (3) a positive influence on people's attitudes, thus increasing the level of trust in markets and contracts.

Therefore, we expect more favorable regulative conditions in a target country, i.e., a stronger rule of law, to have a positive influence on online retailers' decision to enter the country and we propose:

Hypothesis 4: Better legal and regulative conditions in a target country have a positive effect on an online shop's propensity to select a specific country market.

3. Methodology

3.1 Sample

To test our hypotheses on market selection, a longitudinal database with observations of the market selection behavior of 140 online retailers within Europe (all EU countries plus Norway, Russia, Switzerland, and Turkey) over a 15-year period (2000-2014) has been collected. For the sample, we considered online retailers that are active in their European home markets and in at least one other European country. Methodically, the rank-ordered logit model we used requires a fixed set of possible alternatives. Within this fixed set, the alternatives have to be characterized by their rank or labeled as unranked alternatives with a '0', if these unranked alternatives have not been taken into account as part of the rank order (Chapman and Staelin 1982; Fok et al. 2012; Hausman and Ruud 1987). To define this fixed set of alternatives we focus geographically on the European continent and its country markets. Otherwise, the fixed set of possible alternatives would have been the number of countries worldwide and would have produced a huge number of unranked alternatives that would have caused problems with data availability and missing values. The selection of companies was based on the 'Internet Retailer Europe500' ranking (Internet Retailer 2013) as well as the Top100 rankings of online retailers for the 15 biggest internet markets in Europe (E-Commerce Europe 2014b). Firms for which the expansion path was not fully reconstructable were excluded. Online retailers that have only a domestic website and merely offer international shipping were not considered. Online retailers from 14 different categories are present in our sample (see Table 9).

Category	No. of retailers within this category
Apparel/Accessories/Shoes	70
Automotive Parts/Accessories	6
Books/Music/Video	3
Computers/Electronics	9
Food/Drug	4
Housewares/Home Furnishings	8
Jewelry	4
Mass Merchant	7
Miscellaneous	8
Opticians	4
Pet Supply	3
Specialty/Non-Apparel	3
Sporting Goods	8
Toys/Hobbies	3
Sum	**140**

Table 9: Categories within the sample and number of online retailers within these categories

Source: Own illustration.

The final sample contains the complete internationalization paths of 140 Europe-based online retailers from 12 different home countries for which the internationalization of firms was fully reconstructable (see Table 10). These retailers are responsible for 825 market entries (ø 5.9 market entries per online retailer) in the 32 potential target markets within Europe. The majority (513) of these entries took place in the last five years. The final sample contains 4,480 possible combinations for market selection (140 firms x 32 countries). We collected company data from the 'Internet Retailer Europe 500' database, firm websites, published articles and timelines. Country data were collected from OECD and World Bank databases, the 'Passport Database' from Euromonitor International, the 'Global Competitiveness Reports' of the World Economic Forum as well as the 'Cross-national Distance Database' from Berry et al. (2010) in its 2014 version.

Home country	No. of retailers from home country	No. of market entries originating from home country
Austria	3	22
Belgium	2	5
Denmark	2	22
Germany	63	364
France	22	140
United Kingdom	19	56
Italy	3	22
Netherlands	10	50
Norway	1	6
Sweden	4	35
Switzerland	2	8
Spain	9	95
Sum	140	825

Table 10: Home countries of online retailers in the sample and number of market entries from these home countries

Source: Own illustration.

3.2 Measurement and Characteristics

Given that the objective of this investigation is to identify factors influencing the order of market selection in an online retailer's international expansion, the ranked order of entered host markets over time is the dependent variable. We follow Shneor and Flaten (2008, p. 46), who conceptualize a market entry for internet-enabled internationalization as "'market-specific shops', serving markets based on idiosyncratic adaptations to local language, content, format, style preferences, etc.". Thus, we characterize an internationalization step of an online retailer as the launch of a country-specific website, identified, e.g., through country-specific language, currency or domain. In most cases, such a step is explicitly announced by the online retailer

itself, e.g., in press releases. This view is also supported by Ragnan and Adner (2001), who emphasize that successful dot-com companies must establish local sites – country by country.

We captured the market size of a country for each year in our time period separately by examining the purchasing power-equivalent of the gross domestic product (GDP) obtained from the 'World Bank Database' (c.f. Ellis 2008; Gripsrud and Benito 2005; He et al. 2013). Thus, market size is a time-dependent variable in our study.

Similarly, we captured the vertical market size (Ojala and Tyrväinen 2007) of the e-commerce market in a country for each year in the investigated time period separately, by measuring the annual e-commerce turnover, taken from the 'Passport Database' of Euromonitor International.

For cultural and geographic distance, we used the pairwise calculations of distance measures from the 'Longitudinal Cross-National Distance Database' of Berry et al. (2010) in the updated 2014 version.

For added cultural and added geographic distance, we followed Hutzschenreuter and Voll (2008), and for every new internationally selected market, we compared the corresponding distances from the 'Longitudinal Cross-National Distance' (cultural, resp. geographic) to all existing operations and identified the shortest distance.

Following Xu et al. (2004) we relied on information provided in the annually published 'Global Competitiveness Report' to measure the rule of law in a country and selected six items – anti-monopoly and anti-trust, legal system, juridical independence, settlement of disputes, institutional stability and effectiveness of police force – to describe the legal and regulative aspects of a country's environment. To build up this index for the rule of law, a factor analysis on these six items was carried out with the statistical program SPSS, creating the variable rule of law for the 32 countries in our sample in every individual year (2000-2014). For the conducted factor analysis, we used the principal component method with a varimax rotation and z-scores to standardize the variables beforehand, which extracted one component for every single year (2000-2014), confirming a one factor solution. For all analyses, the Kaiser-Meyer-Olkin measures verify the sampling adequacy for the analyses (KMO ≥ 0.86). Bartlett's test of sphericity indicates that the correlations between items are sufficiently large (Field 2009) for all years (χ^2 (6) ≥ 178.21, $p < 0.001$). To check for measurement consistency, we observed that the Cronbach's α values (all ≥ 0.7) as well as the inter-item correlations (all > 0.7) were adequate. The created factor value per country out of these six items was then taken as a country's score on its regulative dimension in the respective year.

To consider the influence of local market knowledge acquired through already existing channels, the dichotomous variable local market knowledge captures whether other

sales channels already exist in the target country; within the sample, multi-channel retailers account for 38 % of the firms.

Furthermore, we included a number of control variables in our analysis. First, taking into account a possible influence of language, we created a dichotomous variable, equal to one, when both countries have the same official language, otherwise zero.

Second, we used the 'World Bank´s Logistics Performance Index' (LPI) measures (Arvis et al. 2014), assessing the frequency with which shipments reach a consignee within a scheduled or expected time. This was done to control for the possible influence of the logistical conditions in a country on market selection. Especially in online retailing, which is characterized by a large number of small orders, efficient shipment and delivery on promised timelines is important for influencing and achieving customer loyalty (Heim and Sinha 2001; Ramanathan 2010; Rutner et al. 2003), achieving profitability and therefore the success of an online retailer in the long-term.

Third, the 'internet users per 100 people' in a country was used as an additional indicator (Oxley and Yeung 2001; Rothaermel et al. 2006). 'Users per 100 people' is an indicator of the internet sophistication of the population.

3.3 Data Analysis

Given that the preferences of online retailers over time determine the order of the market selection, a rank-ordered logit (ROL) model was used for hypotheses testing. This is the standard tool for analyzing preferences, if data with a rank-order are available (Fok et al. 2012). Moreover, it can be used with explanatory variables, which are case specific, alternative specific, or a combination of both (Long and Freese 2006). This holds true for our dataset, due to the dynamic observations of the internationalization paths over time.

The underlying assumption of the ROL model is that decision makers combine attributes of alternatives (in our case the countries) into overall evaluations of the attractiveness of these alternatives while maximizing their utility (Weesie 2003). These deterministic choices are presented by the order of entry in the online retailers' internationalization paths. The utilities for online retailer i are defined as $U_{ij} = V_{ij}+\varepsilon_{ij}$, where V_{ij} is the deterministic component of the utility determined by observed individual characteristics and ε_{ij} is a random component of utility (Manski 1977).

Given the country focus on Europe, we recognize that each online retailer is confronted with a fixed set of possible country alternatives; yet we also have to take into account that the internationalization paths create a number of unranked alternatives (i.e., the non-chosen alternatives after the last entry). These types of 'least preferred' alternatives will bias the parameter estimates towards zero and have not to be used for estimation. Hence, the probability of observing a particular ranking by online

retailer i given that only the k most preferred items are ranked (instead of J ranking alternatives) according to utility values is (Chapman and Staelin 1982; Fok et al. 2012; Hausman and Ruud 1987):

$$Pr[y_i|k;\beta] = Pr\left[U_{ir_{i1}} > U_{ir_{i2}} > \ldots > U_{ir_{ik}} > max\left\{U_{ir_{ik+1}}, \ldots, U_{ir_{ij}}\right\}\right] = \left(\prod_{j=1}^{k} \frac{\exp\left(V_{ir_{ij}}\right)}{\sum_{l=j}^{J} \exp\left(V_{ir_{il}}\right)}\right) \frac{1}{(J-k)!}$$

As the ROL model is a logit model, there is no assumption of a linear relationship between the dependent and independent variables and hence a direct statement is not possible. However, the estimates can be interpreted in terms of the exponentiated coefficients, providing an odds ratio interpretation (Long and Freese 2006). The odds ratio compares the odds for different values of the explanatory variable and are bounded below by 0 but have no upper bound. For example, an odds ratio of 2.4 provides the information that a one unit increase in the independent variable increases the relative probability of the considered event 2.4 times (O'Connell 2006).

4. Results and Discussion

Table 11 presents our descriptive statistics and the correlation matrix for the independent variables. Among most independent variables, the correlations do not exceed 0.7 and no serious risk of multicollinearity is identified (Anderson et al. 2014). For the bivariate correlation between GDP and the internet turnover in a country, a correlation of 0.7747 was detected; and between geographic distance and added geographic distance a correlation of 0.8788 was detected. These variables are therefore not pairwise used in our model simultaneously. To further test for multicollinearity we estimated the variance inflation factors (VIF); none of our indicators exceeds the threshold of 5.0 in the respective models in which it was used (Diamantopoulos and Winklhofer 2001; Urban and Mayerl 2011).

Table 12 depicts the results from the rank-ordered logistic regression used to test our hypotheses. We first estimated a baseline model (model 1), including only control variables. Models 2 and 3 incorporate the influences of all independent variables except for the added distances. As the log-likelihood ratio tests show, internet turnover as an indicator of market size provides a better model fit than GDP; hence the model provides a more thorough test of the expected effects (Bowen and Wiersema 2004). Therefore, we use internet turnover as indicator of market size to test the effects of the independent variables and added distances in our models 4 and 5.

Our three control variables show a significant and consistent influence on the propensity to select a new country market in all models ($p < 0.001$ for all variables). Common language, i.e., taking into account whether the home and host country speak the same official language, shows a significant and positive influence. A similar result is observed by Alexander et al. (2007) who find that for firms at an early stage in the

internationalization process, initial decisions about markets are based on fundamental cultural similarities such as language and that a common language may surmount other market differences to facilitate and determine the direction of international engagement. Particularly for online retailers where language adaptation is a major effort, a common language strongly facilitates foreign market entry. Logistics performance in the host country also shows a significant and positive effect. Given the high relevance of punctual deliveries for customer satisfaction with an online retailer, the logistical ability to ship orders on time to the final customer plays a role within the dynamic market selection of online retailers. Our last control variable, internet users per 100 people, used as another proxy for a country´s potential market for internet-related products, shows a significant and negative influence. A potential reason is that a high value for this indicator may imply that the internet market in a country is already rather sophisticated that and competition may also be high.

Furthermore, it may indicate that the market is already approaching saturation and offers limited growth opportunities. As an example, in the Nordic countries a high level of internet penetration has been interpreted as a sign of beginning market saturation (Henten and Kristensen 2000).

In addition to these three displayed control variables, we have further tested with the help of categorical variables for a possible effect of the product category as well as of the home country on the international market selection behavior of European online retailers. Interestingly, the home country variable which indirectly captures all attributes of countries and therefore, the general institutional context, which should be implicitly included, has not shown a significant effect on IMS in our sample. This result indicates that in this study, online retailers from different home countries within Europe do show a uniform internationalization behavior with regard to sequence of market selection. This does not mean that they select the same markets but that they apply the same criteria in their selection. Furthermore, the variable product category also did not show a significant influence on the IMS in our sample.

In Hypothesis 1a, we posit that the size of the target country's market has a positive effect on an online shop's propensity to select a specific foreign country for entry. The results displayed in model 2 show a positive, significant influence ($p < 0.001$) and support H1a. Hypothesis 1b posits a positive effect of the size of the e-commerce market in a target country on an online shop's propensity to select a new country market. Our models 3, 4 and 5 show a significant influence ($p < 0.001$) and support H1b.

Hypothesis 2a posits a negative effect of cultural distance on the selection of the target country. Negative, significant effects were detected in all models in which the indicator is used ($p < 0.001$) and H2a is supported even though language, another strong element of culture, is separately controlled for.

		Mean	Std. Err.	VIF	1	2	3	4	5	6	7	8	9	10	11
1	Common Language	0.0781	0.0040	1.36	1										
2	LPI Delivery on time	3.9451	0.0057	2.30	0.2237***	1									
3	Internet Users per 100 people	72.6956	0.2295	2.07	-0.0505***	0.4208***	1								
4	GDP	6.61e-11	1.33e-10	3.36	0.1665***	0.2253***	0.0031	1							
5	Internet Turnover	5775526	163007.6	3.08	0.0202	0.2421***	0.244***	0.7747***	1						
6	Cultural Distance Berry	12.1068	0.1240	1.19	-0.1836***	-0.1491***	0.0524***	-0.1659***	-0.0398**	1					
7	Added Cultural Distance	4.7447	0.0457	1.17	0.0469**	0.0479**	0.0623***	0.1719***	0.1613***	0.2271***	1				
8	Geographic Distance	1406.7230	15.4772	5.21	-0.3163***	-0.6055***	-0.2809***	0.0227	-0.0289†	0.1421***	-0.038*	1			
9	Added Geographic Distance	1008.5720	13.8069	4.70	-0.1459***	-0.4048***	-0.2006***	0.2949***	0.1735***	0.028†	0.0134***	0.8788***	1		
10	Rule of Law	-0.0126	0.0149	2.42	0.2651***	0.5873***	0.6019***	0.2674***	0.3003***	-0.1103***	0.1787***	-0.3319***	-0.1719***	1	
11	Local Market Knowledge	0.0797	0.0040	1.16	0.2737***	0.1325***	-0.0718***	0.1836***	0.066***	-0.1163***	0.1154***	-0.125***	-0.0184	0.1496***	1

Note: Significance Levels: *** < 0.001; ** < 0.01; * < 0.05; † < 0.10, respectively.

Table 11: Descriptives and correlation matrix

Source: Own illustration.

With hypothesis 2b, we posit a negative influence of added cultural distance on an online shop's propensity to select a new country market. Different from our expectation, the effect in our sample was positive and significant ($\beta = 0.22$, $p < 0.001$). Therefore, H2b must be rejected.

Hypothesis 2c posits a negative influence of geographic distance on an online shop's propensity to select a new country market. Models 2 ($\beta = -0.0012$, $p < 0.001$), as well as models 3 and 4 support H2c.

Hypothesis 2d posits a negative influence of added geographic distance on an online shop's propensity to select a new country market. Model 5 ($\beta = -0.0006$, $p < 0.001$) supports H2d with a significant and negative influence of added geographic distance.

In hypothesis 3, we posit that knowledge from the previous presence of other sales channels of a company in a target country has a positive effect on an online shop's propensity to select a new country market. Models 2-5 support H3, with a significant positive effect of the presence of other sales channels ($\beta = 5.4909$, $p < 0.001$). Thus, multi-channel retailers expand their online shops preferably in countries where they are already doing business with other channels. As an explanation, previously acquired experience in the market as well as synergies, e.g., of a logistics center for the other retail channels, can be used in such target countries.

Hypothesis 4 posits a positive effect of better legal and regulative conditions (rule of law) on an online shop's propensity to select a new country market. The effect of the rule of law is significant and positive in models 2, 3, 4 and 5 ($\beta = 1.2186$, $p < 0.001$) and H4 is supported.

	Model 1		Model 2		Model 3		Model 4		Model 5	
	β	exp(β)	β	exp(β)	β	exp(β)	β	exp(β)	β	exp(β)
Common Language	2.4447*** (0.0999)	11.527	1.0757*** (0.1341)	2.932	1.1601*** (0.1354)	3.19	1.0173*** (0.1371)	2.766	1.4619*** (0.1345)	4.314
LPI Delivery on Time	2.5631*** (0.1463)	12.976	1.3347*** (0.2213)	3.799	0.5767*** (0.2128)	1.78	0.7129*** (0.2284)	2.040	1.1492*** (0.2298)	3.156
Internet Users per 100 People	-0.0391*** (0.0027)	0.962	-0.0905*** (0.0055)	0.914	-0.1005*** (0.0054)	0.904	-.09257*** (0.0056)	0.912	-0.7745*** (0.0497)	0.925
GDP			9.1200e-13*** (3.81e-14)	1.000	-	-	-	-	-	-
Internet Turnover			-	-	4.11e-08*** (3.16e-09)	1.000	4.24e-08*** (3.6300e-09)	1.000	4.25e-08*** (3.5600e-09)	1.000
Cultural Distance Berry			-0.0702*** (0.0094)	0.932	-0.0985*** (0.0096)	0.906	-0.1883*** (0.0119)	0.828	-0.1928*** (0.0166)	0.821
Added Cultural Distance			-	-	-	-	0.2252*** (0.0142)	1.253	0.2282*** (0.1407)	1.256
Geographic Distance			-0.0012*** (0.0001)	0.999	-0.0012*** (0.0001)	0.999	-0.0012*** (0.0001)	0.999	-	-
Added Geographic Distance			-	-	-	-	-	-	-0.0006*** (0.0001)	0.999
Rule of Law			1.7362*** (0.0941)	5.676	1.5744*** (0.0953)	4.828	1.3628*** (0.0969)	3.907	1.2186*** (0.0900)	3.383
Local Market Knowledge			5.2015*** (0.4395)	181.537	5.2676*** (0.4389)	193.955	5.210222*** (0.4561)	183.135	5.4909*** (0.4528)	242.479
Log-Likelihood	-2133.10		-1417.00		-1366.01		-1232.541		-1304.781	
Chi Square	1203.05		2635.25		2737.23		3004.17		2859.69	

Note: n = 4480 observations; Std. Err. in brackets; Significance Levels: *** < 0.001; ** < 0.01; * < 0.05; † < 0.10.

Table 12: Results of rank-ordered logistic regression predicting international market selection of European online retailers over time

Source: Own illustration.

5. Conclusion and Limitations

International market selection is a strategic key decision and a critical success factor in a firm's internationalization strategy (He and Wei 2011; Papadopoulos and Martín 2011). Despite its recognized importance in IB literature for the internationalization process of any type of firm, scholars mainly focus on the IMS of manufacturing firms (Andersen and Buvik 2002; Brouthers et al. 2009; Buckley et al. 2007; Musso and Francioni 2012a). Our paper pursues two objectives: first, to connect selected aspects of existing but still fragmented approaches within IMS research to provide a further integration of these concepts by bringing strong points together; and second, to contribute to the quite young field of research on online retailer internationalization and to shed more light on IMS decisions of European online retailers. We investigate and empirically test factors influencing the international market selection of firms within the European online retailing sector, based on dynamic capabilities combined with an institutional view of IMS. In doing so, the focus lies on economic factors, the role of cultural and geographic distance in an online retail context, institutional effects as well as the effects of experience and local market knowledge in respective target countries. Hence, conforming to current literature (Casillas and Acedo 2013; Hutzschenreuter et al. 2007), we statistically reproduce the dynamic process of firms' international market selection over time as a path-dependent sequence of their internationalization steps. This allows us to observe the effects of different country attributes on the sequence of the chosen markets, assuming that online retailers attempt to maximize the utility of markets for their specific interests.

In their study on retail firms, Alexander et al. (2007) highlight that IMS is determined in great parts by relatively few but crucially important factors. Burt (1993) has identified three key determinants of international retail expansion in his work: retail market development, cultural proximity and geographical proximity. For manufacturing firms, market size has been recognized as a market opportunity and a driver of firm internationalization (Mitra and Golder 2002; Ellis 2008; Johanson and Wiedersheim-Paul 1975). Our study shows that for online retailers, the market size of the target market, in terms of GDP as well as in terms of internet turnover, significantly influences an online retailer's decision to select a target country, with the more specific market size, i.e. the internet turnover, being the better predictor.

Furthermore, previous international market selection literature suggest that "uncertainty reduction is a prime driving force in market selection" (Erramilli 1991, p. 494). Our study supports this view. Cultural distance and geographic distance both negatively influence the propensity of an online retailer to select a particular country. In line with IB literature (Johanson and Vahlne 1977; Shenkar 2001), distance, and especially cultural distance is a valid construct to predict the country choice and the sequence of foreign entries for online retailers, as our results show. Though the internet provides firms with new ways to conduct business, significantly reduces

psychic barriers and makes early internationalization a viable and cost effective option (Loane 2006; Sinkovics and Penz 2005), our study confirms earlier conceptual papers, e.g., Ragnan and Adner (2001), by showing that aspects of distance are still relevant for IMS, even in the speciously seamless world wide web.

Scholars suggest that a firm gains knowledge from experience (Chetty et al. 2006; Zahra et al. 2000). In line with Barkema et al. (1996), who show that a firm accumulates procedural knowledge about a particular country when it has conducted 'multiple past business deals' within that country, our study is able to identify a similar effect for online retailers: if a firm is already active in a potential target market with other sales channels, usually brick-and-mortar stores, the propensity to select this same market for an online shop is significantly higher. This implies that already acquired market knowledge is used and transferred to the online shop and the intended benefits of multi-channel retailing (Verhoef et al. 2015) are also sought after in the internationalization path.

In addition to the availability of a 'physical' infrastructure for online shopping in a country as a basic premise, the institutional environment of a host country and its characteristics are assumed to be a critical factor for the development of online shopping. In particular, legal and regulative conditions, subsumed by the 'rule of law', are in the focus for online retailers (Oxley and Yeung 2001). Our paper provides evidence that the host country context exerts a direct influence. In the case of online retailers, a better rule of law positively influences the propensity to select a new target market. Additionally, we also tested for a possible influence of the general institutional context of the online retailers' home countries within our sample. As the general institutional context of the respective home country showed no effect on the IMS of European online retailers in our case and was not in the focus of interest of our study, we decided not to examine this aspect in detail.

Our assumptions about the effects of added distance were not fully supported by the data. Added geographic distance shows, as expected, a negative effect because online retailers may realize operational synergies (e.g., with regard to logistics) when they serve new country markets with low geographic distance from one of their previously entered country markets. In this respect, a path-dependent process, where previous market entries influence further market entries, is apparent. However, added cultural distance between a new market and the existing country portfolio does not show the expected negative effect, which challenges the idea of a sequential learning process. Perhaps, in the case of online retailers, who often practice a 'get-big-fast' approach during the internationalization process, the speed of internationalization may be too fast to prepare for and respond to recognized differences in distant markets. As Yamin and Sinkovics (2006) have already assumed, the internationalization stages of online retailing seem to be so compressed that the reduced time dedicated to studying markets does not support deeper learning about the culture of the foreign market.

Thus, the existing country portfolio does not exert a major effect on the subsequent market selection. As a result, our observation challenges the psychic distance chain logic for online retailers and, thus, the notion of a path-dependency with regard to cultural distance. This does not explain, however, the positive effect of this variable on market selection which should be investigated in more detail in further research.

The study obviously entails some limitations, which suggest avenues for future research. First, the generalizability of our findings may be regionally limited due to our sample of online retailers from the European continent only and our consideration of market entries into European countries only. Thus, our findings may not be valid for online retailers with origins in other regions. Additionally, we did not investigate international expansion beyond the home region. Thus, in future research, it would be interesting to examine whether market selection behavior changes when leaving the home continent, which may be a major step (considering, e.g., existing logistics bases and cultural experiences) and therefore lead to different expansion paths. Second, due to data restrictions, we could only investigate the size of the online market in general and not the relevance of specific markets for a product group, e.g., for shoes. We applied a categorical variable to control for the product category of the online shop and, different from what one would assume, no significant effects showed in our sample; the variable was, thus, excluded from our model. For future research, it may be interesting to analyze whether the size of the online market in a country for a specific product category, or other product category characteristics have an influence on IMS behavior. Third, in this study, performance measures were not available, thus, the relationship between IMS and the performance of online retailers was not examined. Therefore, we cannot derive normative statements about the IMS of online retailers but only descriptive and explicative conclusions. Finally, the use of secondary data did not allow investigating motives for internationalization or for selection of a specific country. Complementing this secondary data with primary data from a company survey would strongly increase the insights of such a study. However, it is likely that an expectedly low response rate would drastically reduce the sample size of the 140 internationalization paths that have been investigated in this study.

In summary, our findings present a linkage of existing approaches in IMS research, bringing their strong points together for the specific case of online retailers in Europe. Based on dynamic, firm-specific capabilities, an institutional view of IMS as well as the phenomenon of distance between countries, our paper has identified and empirically tested relevant factors. The results indicate that for some institutional variables, distances to the home country or to the existing country portfolio are most relevant but that for other institutional variables, absolute values of a target market play a role in market selection of online retailers.

Furthermore, path-dependency of the internationalization process has been shown but only for geographical distance. The compressed internationalization stages may not allow retailers to learn enough about their country portfolios for this to have an impact on their subsequent internationalization steps.

Part IV: Internationalization Speed of Online Retailers – A Resource-based Perspective on the Influence Factors (Essay 3)[6]

1. Introduction

The globalization of markets and limited possibilities for growth in national markets have increasingly caused retailers to internationalize their operations; managing operations in diverse country markets has become a critical task (Assaf et al. 2012; Hoenen and Kostova 2014). This trend has been shown in the literature for store-based retailers, but it is even more relevant for online retailers that appear to internationalize more rapidly and different from brick-and-mortar retailers. There is widespread agreement that the internet is providing firms with new ways to conduct business (Loane et al. 2004). It significantly reduces psychic barriers and makes early internationalization a more viable and cost-effective option (Buckley 2011; Sinkovics and Penz 2005; Wen et al. 2001). In previous years, online retailers have shown remarkable efforts in opening new sales markets in foreign countries. Many online retailers pursued a 'get-big-fast' strategy to intensively develop their customer base as a significant source of increasing returns (Oliva et al. 2003) which highlights the importance of internationalization speed for online retailer's strategies. More than in most other industries, the quick rise of online shops has dramatically changed the retail industry over the last decade (Gartner Industry Research 2012) and is nowadays a serious competition for traditional retail channels. E-commerce has become an important influence on the European economy and accounts for 2.2 % (EUR 361bn) of European GDP and approximately 10 % of the total retail turnover in many Western European countries and the USA (E-Commerce Europe 2014a, 2015).

Examining internationalization processes, researchers identified three basic dimensions: speed, extent (e.g., the percentage of foreign sales) and scope (e.g., the number of foreign markets) (Hagen and Zucchella 2014; Zahra and George 2002). Whereas extent and scope have been in focus of IB research for decades, speed was only introduced to the literature in the 1990s by the international entrepreneurship research. A rapid internationalization and a rapid exploration of foreign markets have been shown to have several advantages, e.g., performance and growth advantages (Oviatt and McDougall 2005; Powell 2014b), learning advantages (Autio et al. 2000; Zhou and Wu 2014), and first- or early-mover advantages (Oviatt and McDougall 1994, 2005). It has become an important topic for researchers (Jones and Coviello 2005; Oviatt and McDougall 1994; Sharma and Blomstermo 2003a; Trudgen and Freeman 2014; Zahra and George 2002). The majority of studies conceptualize

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M. Schu, *Online Growth Options for Retailers*, Handel und Internationales Marketing / Retailing and International Marketing, DOI 10.1007/978-3-658-18215-1_4

internationalization speed as uniform throughout the entire internationalization process (i.e., in a single figure) or merely focus on the length of time from inception to the first internationalization step (Casillas and Acedo 2013; Madsen 2013; Zhou and Wu 2014). The development of the internationalization process over time and changes in speed have been scarcely researched, and "very little research has sought to explain the speed of the process once it is under way" (Casillas and Acedo 2013: 26). In addition, IB research mainly focuses on the internationalization processes of multinational enterprises (MNEs), but not on retailers in general (Elsner 2014) or online retailers in particular. The same holds true for international entrepreneurship research, in which online retailers as a kind of digital start-ups are also not in the center of research.

Following various authors (e.g., Casillas and Acedo 2013; Fuentelsaz et al. 2002; Powell 2014b), the objective of this paper is to investigate and empirically test the factors influencing internationalization speed in the online retail sector. Thereby, we acknowledge the fact that the internationalization speed of a company changes over time and that its antecedents may also not stay uniform over time. We examine the effects of imitability, country diversity and geographic scope that generally have a negative connotation, and we argue that their effects have a curvilinear shape, i.e. are positive within a certain range and negative in another range and that the effects change in the internationalization process. Moreover, linear effects of the variables age, distance to the home country as well as added distance are taken into account and effects of the categorical variable product category and home country and the binary variables multi-channel retailer or pure online retailer and presence of a venture capitalist.

This paper is organized as follows. First, the theoretical background of our study is presented, and the hypotheses are developed from a resource-based perspective, followed by details regarding the research design and method. The results section contains the hypothesis testing with a Cox regression model using time-varying data from the internationalization paths of 150 online retailers (1,110 market entries over 19 years) from a geographically diversified country sample. Then, the results are presented. Finally, conclusions are drawn, limitations of the study are discussed, and implications and suggestions for further research are provided.

2. Theory and Hypotheses

We base our conceptual framework (see Figure 7) on the resource-based view (RBV) in general and on dynamic capabilities. To ensure successful international expansion, firms must have appropriate resources (Hitt et al. 2006a). The RBV grounds on resources regarded as bundles of tangible and intangible assets (Penrose 1959; Wernerfelt 1984). Firms develop resources and capabilities that are valuable, rare, heterogeneous, imperfectly mobile and inimitable; these can be applied in foreign

markets, or firms can use foreign markets as a source for acquiring them to achieve resource-based advantages, resulting in superior performance (Barney 1991; Brouthers and Hennart 2007; Costa et al. 2013). Capabilities that include skill acquisition, knowledge and learning are intimately tied to firms' expansion paths (Teece 2007; Teece et al. 1997) and firms can benefit from the positive effects of capabilities that may emerge from diversity (Zahra et al. 2000). Our framework identifies and tests resource-based factors that may influence the internationalization speed of online retailers. Understood as a dynamic process, the internationalization speed of a firm is not considered uniform throughout the internationalization process; rather, this study investigates every individual internationalization step to emphasize the path-dependency of internationalization processes in which past actions may influence future operations in international markets.

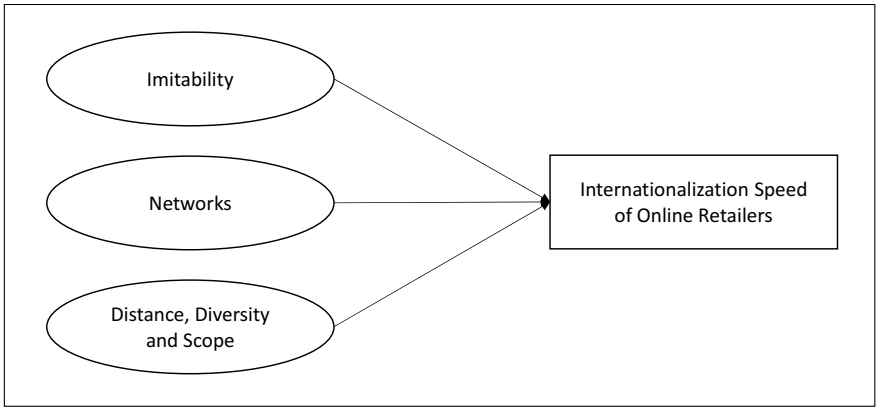


Figure 7: Conceptual framework

Source: Own illustration.

2.1 Speed and Time in the Internationalization Process of Online Retailers

In traditional approaches, internationalization is regarded as a slow, gradual and path-dependent step-by-step process, as described in the Uppsala internationalization process model by Johanson and Vahlne (1977), based on uncertainty and limited rationality. Although time is an important determinant in the internationalization process and increasingly viewed as an important factor and scarce resource for internationalizing firms to manage, it has rarely been considered a primary conceptual dimension (Chetty et al. 2014; Jones and Coviello 2005; Sharma and Blomstermo 2003a). However, since Oviatt and McDougall (1994) placed time on the agenda in entrepreneurship theory, time is a central issue in the internationalization process of firms and frequently used as a predictor of knowledge accumulation (Acedo and Jones

2007; Morgan-Thomas and Jones 2009; Prashantham and Young 2011; Sharma and Blomstermo 2003a).

Speed is a time-based indicator of "how many foreign expansions a firm undertakes in a certain period of time" (Vermeulen and Barkema 2002: 643). Three different views of speed can be identified in the IB literature. First, an often used conceptualization is that of time elapsing between a company's foundation and the first international activity (Zahra and George 2002). This view focuses mainly on pre-internationalization. The second view is an overall observation (Mathews and Zander 2007) using, e.g., the average number of foreign markets per year (Vermeulen and Barkema 2002). The third view is the most thorough concept for gaining a deeper understanding of how internationalization processes develop: the time elapsing between two consecutive events in different stages within the internationalization process (Casillas and Acedo 2013).

Rapid internationalization and a rapid exploration of foreign markets typically provide performance and growth advantages for firms (Autio et al. 2000; Oviatt and McDougall 1994; Powell 2014b). An early entry may provide via first-mover or early-mover advantages the basis for the acquisition of superior resources and capabilities in a market, e.g. a well-developed customer base, and pioneers may preempt competitors in a physical, technological, or consumer perceptual space (Fuentelsaz et al. 2002; Lieberman and Montgomery 1998). In the retail sector, internationalization is an important trend (Dawson and Mukoyama 2014); anecdotal evidence shows that online retailers are quite active in their internationalization efforts and internationalize differently and much faster than traditional brick-and-mortar retailers. For example, only six years after its foundation, the German online retailer Zalando has already been active in 15 countries.

2.2 Imitability as Driver of Online Retailers' Internationalization Speed

As the RBV argues, the more difficult a resource is to imitate, the more sustainable the resulting advantage is: the effects of valuable resources that are easily imitable should dissipate quickly (Barney 1991; Crook et al. 2008). Imitability is hereby "the ease with which a firm's technology can be learned or replicated by outsiders" (Autio et al. 2000, p. 914).

At first glance, many online shops do not appear to fulfill the abovementioned criteria for resources; Ferguson et al. (2005, p. 5) note that "innovative electronic commerce projects are most likely seen […] as easily replicable, and consequently have little, if any, competitive advantage period." The functionality and technical components of an online shop can be easily identified by competitors and in this specific industry, other firms often imitate the actions of competitors (Kuettner and Schubert 2012).

Hence, instead of the visible and easily imitable resources like shop design or product offer, other resources, among them including reputation, customer databases and lock-in effects for customers, appear to create the sustainable competitive advantage for online retailers (Hall 1992; Park et al. 2004). Hence, online retailers focus on expanding and retaining their customer base (Amit and Zott 2001). Quick internationalization is one way to create first- and early-mover advantages through the development of brand awareness, reputation and a customer base in the new country market (e.g., Autio et al. 2000; Teece et al. 1997).

From a resource-based perspective, building a loyal customer base transforms the rather temporary advantage of an online retailer (i.e., a shortly unique online shop that may be quickly imitated by competitors) into a more sustainable resource (i.e., the customer base) by using first-mover or early-mover advantages.

We expect that a certain level of imitability of an online shop will intensify the need to quickly transform the current advantage of the online shop into a customer base because of a lack of strong inimitable resources. By contrast, when the imitability level of an online shop is low, a firm is not under pressure to quickly internationalize but can first exploit the full potential of the home market. Contrary to common reasoning of the RBV that solely non-substitutable and inimitable resources create sustainable value and are a basis for internationalization (e.g., Barney 1991; Dierickx and Cool 1989; Johanson and Vahlne 2009; Peteraf 1993), we argue that a higher level of imitability of an online shop initially drives internationalization speed. However, beyond a certain level of imitability, an adverse effect on internationalization speed can be expected: if imitability is too high, then internationalization is likely to be decelerated. This reasoning follows the logic that a company must possess firm-specific advantages to overcome the liability of foreignness in a new, unknown market in order to successfully compete with incumbents who are more familiar with this market (Hymer 1976; Johanson and Vahlne 2009; Zaheer 1995) and that online-shops that are very easily imitable do not have such sustainable firm-specific advantages. Instead, these companies would risk being immediately copied by potential competitors in the new market before sustainable competitive advantages from internationalization can be developed. Therefore, firms with a very high level of imitability should be slower in internationalization than firms with a medium level of imitability. Thus, we propose the following:

Hypothesis 1: The imitability of an online shop has a curvilinear influence on internationalization speed (inverted U shape).

2.3 Networks and Venture Capitalists

The INV literature further emphasizes the role of networks in rapid internationalization (Casillas and Acedo 2013; Musteen et al. 2010). Research on social network theory

emphasizes the importance of inter-firm ties in accumulating and utilizing knowledge; hence, social as well as business networks are active channels of knowledge flows (Casillas et al. 2009; Gulati 1995; Yu et al. 2011) and can influence both patterns and speed of internationalization (Loane et al. 2004). SMEs face obstacles to internationalization because of a lack of resources. Their limited financial resources, as well as limited market knowledge, constitute an important barrier to internationalization. Resource constraints can be overcome using networks (Laanti et al. 2007; Spence et al. 2011). In high-tech and dot-com industries such as online retailing, the involvement of venture capital (VC) firms to overcome resource restrictions is common (Gabrielsson et al. 2004). Within the network, VCs provide two important resources to SMEs: In addition to necessary financial resources, cooperation with VCs may provide an online-retailer with expertise in areas in which knowledge is lacking (Gabrielsson et al. 2004; Laanti et al. 2007; Sharma and Blomstermo 2003b) which may include internationalization knowledge. Martin (1999) and Zook (2005, p. 3) emphasize that VCs can therefore be characterized as knowledge brokers, "who acquire and create intelligence through personal (and generally local) networks about industries, market conditions, entrepreneurs, and companies through a constant process of interaction and observation." We therefore expect a positive effect on online retailers' internationalization speed:

Hypothesis 2: The participation of a venture capitalist in an online shop has a positive influence on internationalization speed.

2.4 Distance and Diversity of International Expansion and their Relation to Online Retailers' Speed

International expansion causes firms to confront substantial challenges, and in essence, "international management is management of distance" (Zaheer et al. 2012, p. 19). Distance occupies a central role in IB research and is usually defined as the perceived difference between two countries. The general assumption of distance is that the more different a foreign country is compared to a firms' home country, the more difficult will it be to collect, analyze and use information about it and hence, the higher are the uncertainties and difficulties of doing business there (Håkanson and Ambos 2010).

Distance has been conceptualized along different dimensions (Berry et al. 2010; Dow and Karunaratna 2006). Ghemawat (2001) emphasizes that the distance between two countries exists not only geographically but also in the cultural, administrative-institutional, and economic dimensions. These four dimensions are the cornerstone for Ghemawat's CAGE framework which has gained wide acceptance as an overall measure of distance between two countries in the IB literature (Hutzschenreuter et al. 2014). When establishing operations abroad, firms are confronted with liability of foreignness because of their unfamiliarity with local market conditions (Hymer 1976;

Nachum 2010; Shenkar 2001), e.g., for online retailers, different legal regulations may act as market entry barriers (Huang and Sternquist 2007). Hence, firms need time to absorb experience and market knowledge and to fit into an international setting (Nohria and Ghoshal 1994; Vermeulen and Barkema 2002), and more distant markets are associated with greater challenges in managing the expansion step (Björkman et al. 2007; Hutzschenreuter and Horstkotte 2013a).

Distance therefore has been argued to have a decelerating effect on internationalization (Hutzschenreuter et al. 2014); entering new markets with a smaller distance to the home market should be faster than entering markets that are more distant (O'Grady and Lane 1996; Williams and Grégoire 2015). Hence, we propose:

Hypothesis 3a: The distance between the newly entered market and the home country has a negative influence on internationalization speed.

Besides the distance between the newly entered market and the home country of the online retailer, the added distance may influence internationalization decisions: Added distance characterizes the shortest possible distance between a newly entered market and all other markets in which the company is already active (Hutzschenreuter and Voll 2008; Hutzschenreuter et al. 2011).

In their Uppsala internationalization process model, Johanson and Vahlne (1977) explain the characteristics of the internationalization process of firms, in which internationalization is viewed as a gradual, step-by-step and path-dependent process based on the establishment chain and on a psychic distance chain, defined as the factors that make it difficult to understand foreign environments and to address the liability of foreignness. In their argumentation, the experience that a company gains during the internationalization process will influence the entry into further markets. Also, Tung and Verbeke (2010, p. 1268) note, “what matters in the case of a new entry is not so much the distance between the home country A and the host country B, but between the newly entered host country B and the host country C, where the firm already has substantial experience and that shows the lowest distance to the newly entered country B.” Added distance creates unfamiliarity; thus, before more distance is added by an internationalization step, internationalization speed is decelerated to give the firm time to address this added unfamiliarity (Hutzschenreuter and Voll 2008; Hutzschenreuter et al. 2011). Hence, we propose:

Hypothesis 3b: The added distance of a new market to the existing country portfolio has a negative influence on internationalization speed.

While the concept of distance focuses on one specific new country at a time, the overall portfolio of countries in which a company is active exerts another influence on

managerial decisions. In this respect, the geographic scope and the diversity of the country portfolio may influence the further internationalization speed.

A firm's geographic scope refers to the number of country markets a company is selling in (Hennart 2011; Zahra and George 2002). The expansion of geographic scope is central to extant internationalization theories (Hashai 2011; Oviatt and McDougall 1994; Zahra et al. 2000). For online retailers, it is assumed that being active in a certain number of country markets will positively influence internationalization speed because countries can be used as hubs to enter neighboring countries more easily with less effort. For instance, it is possible to use existing logistics bases for the entry into neighboring countries to provide efficient delivery and return logistics without investing in specific logistics infrastructure in the new target market which would be more time consuming and expensive. Hence, it can be argued that firms can benefit from greater country scope for even further expansion (Allen and Pantzalis 1996).

However, when a certain number of countries in the portfolio is attained, internationalization speed is likely to decelerate. Beyond a certain number of countries in the portfolio, the marginal utility of a new country for the overall portfolio, e.g., as a logistics hub, will decrease, and the internationalization speed will also decelerate as a result. Moreover, saturation effects arise (Tihanyi et al. 2005). After a number of internationalization steps, it will become increasingly difficult for a firm to discover other similarly attractive countries, slowing down further internationalization. Thus, we posit a curvilinear relationship between geographic scope and internationalization speed:

Hypothesis 3c: The geographic scope of the country portfolio has a curvilinear influence on internationalization speed (inverted U shape).

While the geographic scope refers merely to the number of countries, the characteristics of the countries in the portfolio should also be considered. Diversity refers to the heterogeneity or variety of countries in which an online retailer is already present (Ellis 2007a; Hutzschenreuter et al. 2011). Firms managing a number of widely different countries within their portfolio must consider more varied types of national systems, customers, political frameworks, institutions as well as rules and norms (Casillas and Moreno-Menéndez 2014; Zhang et al. 2010b).

It is generally expected that increased diversity may enhance complexity, lead to managerial and organizational challenges and negatively affect further international expansion (Hutzschenreuter et al. 2011). Contrary to this prevalent problem-focused view of diversity in the international expansion literature, which highlights potential constraints based on country differences, greater diversity within a country portfolio may also be viewed as an opportunity and an asset for firms (e.g., Ely and Thomas 2001; Stevens et al. 2008). Experience is a prime source of learning in organizations (Penrose

1959), and learning is fostered by diversity in experience (Barkema and Vermeulen 1998; Powell 2014a; Zellmer-Bruhn and Gibson 2006). The ability to learn from experience obtained in diverse countries may be the most important advantage of multinationality (Powell and Rhee 2013). Learning and gaining experience in different markets may assist online retailers in recognizing trends or acquiring customer insights (Auh and Menguc 2005; March 1991; Raisch and Birkinshaw 2008). Different host countries can stimulate the creation of dynamic capabilities in a firm with non-location-bound and semi-location-bound firm-specific advantages in the sense of a broader knowledge base on which the firm can build (Lohr 2013; Rugman and Verbeke 2007; Stahl et al. 2010). Thus, we expect that for an online retailer, greater diversity in the portfolio of its country markets will generate a higher level of capabilities for the firm and therefore positively influence the speed of internationalization.

By contrast, Contractor et al. (2003) suggest that the benefits of further international expansion do not necessarily need to be positive and that firms can over-expand beyond a preferable optimum level. Beyond an optimum level of country diversity, coordination and growth costs may exceed the benefits of further expansion for complexity reasons. In particular, a number of culturally, administratively, geographically and economically heterogeneous markets in which a firm is active will likely increase transaction and government costs (Ghemawat 2001; Gomes and Ramaswamy 1999). For instance, an online retailer must manage a broad range of different payment methods, and a greater amount of country-specific adaptation of assortments increases complexity. Moreover, the capacity of managers to successfully cope with greater complexity within a portfolio may be limited. Thus, beyond a certain level of diversity, further diversity may slow expansion (Grant 1987). Hence, we propose the following hypothesis:

Hypothesis 3d: The level of diversity within the country portfolio has a curvilinear influence on internationalization speed (inverted U shape).

3. Methodology

3.1 Sample

To test the hypotheses, we created a longitudinal database with observations of foreign market entries of 150 online retailers over a 19-year period (1995-2014). The average duration between two market entries of an online retailer is 395.59 days. For our sample, we considered online retailers that are active in their home markets and active in at least one foreign country, focusing on companies originating in Central Europe and North America. The company selection is based on the “Internet Retailer Europe500” ranking (Internet Retailer 2013) as well as of Top100 rankings of online retailers of the 15 biggest internet markets in Europe (E-Commerce Europe 2014). Firms of which the expansion path was not fully reconstructable were excluded. Online

retailers that only have a domestic website and merely offer international shipping were not considered. Moreover, our sample contains only online retailers selling physical goods; online retailers selling solely digital goods, e.g. software or music downloads, were as well excluded.

The sample contains the complete internationalization paths of 150 online retailers from 13 different home countries (c.f. Table 13) responsible for 1,110 market entries (ø 7.4 market entries per online retailer) in 47 host countries. Company data were collected from the Internet Retailer Europe500 database, firm websites, published articles and timelines, platforms such as Xing and LinkedIn, and interviews with company executives. Country data were collected from the OECD and World Bank databases as well as Ghemawat's CAGE database.

Home Country	No. of Retailers from Home Country	No. of Market Entries originating from Home Country
Austria	3	22
Belgium	1	4
Denmark	2	18
Germany	61	433
France	21	172
United Kingdom	19	95
Italy	3	28
Netherlands	5	22
Norway	1	4
Sweden	4	38
Switzerland	1	5
Spain	9	114
USA	20	155
Sum	150	1,110

Table 13: Home countries of online retailers in the sample and number of market entries from these home countries

Source: Own illustration.

3.2 Measurement and Characteristics

Given that the objective of this investigation is to analyze the factors influencing the speed of the internationalization process, the speed of entry into a new country market is the dependent variable. We followed Shneor and Flaten (2008, p. 46), who conceptualize a market entry for the internet-enabled internationalization as "'market-specific shops', serving markets based on idiosyncratic adaptations to local language, content, format, style preferences, etc.". Thus, we characterize an internationalization step of an online retailer as the launch of a country-specific website, identified, e.g., through country-specific language, currency or domain. In most cases, such a step is explicitly announced by the online retailer itself, e.g., in press releases. We followed

Casillas and Moreno-Menéndez (2014) and captured speed dynamically based on the number of days between two entries into a firm's new country markets because of the longitudinal character of our analysis. For the interpretation of the results, it must be noted that duration in days is the inverse of speed.

The measurements of the variables of diversity, HM distance (distance from the host country to the home market) and added distance refer to the CAGE framework of Ghemawat (2001) and the corresponding database in which the different dimensions of distances between country pairs are calculated. For diversity, we followed Hutzschenreuter et al. (2011) and calculated the sum of the CAGE distances between all country pairs in the country portfolio (including the home market) prior to each new internationalization step. For HM distance, we calculated the CAGE distance from the home market to the newly established market. For added distance, we followed Hutzschenreuter and Voll (2008): For every newly established international operation, the CAGE distances of all operations within the consisting country portfolio to the new operation were compared and the smallest of these distances was chosen.

Geographic scope relates to the expansion process and was dynamically measured as the number of countries in which a firm has established international operations prior to each new expansion step (Vermeulen and Barkema 2002).

To measure the imitability of an online shop, an own operationalization was developed; to the best of our knowledge, no established measure of online shop imitability exists. Eleven e-commerce experts from Belgium, Denmark, Germany, Italy, Spain and Switzerland were asked to carefully examine the online shops of the 150 retailers and to assess their imitability with three items (cf. Table 14)[7]. To verify the index formation, we calculated the means of the rates per item and conducted a factor analysis that showed all items loading on one single factor. The Kaiser-Meyer-Olkin measure verified the sampling adequacy for the analysis (KMO = 0.72). Bartlett's test of sphericity indicated that the correlations between items were sufficiently large (χ^2 (3) = 384.452, $p < 0.001$). To check for measurement consistency, we observed that the Cronbach's α (= 0.918) and the inter-item correlations (all > 0.7) were adequate (Ariño 2003; Field 2009). We also checked for inter-rater reliability and analyzed the intra-class correlation coefficients (Gisev et al. 2013), which demonstrated sufficient inter-rater reliability ($\alpha > 0.7$). In addition to the creation of one factor value for the level of shop imitability, we also calculated an average measure for online shop imitability based on the three items and all raters. In our final model both the factor

[7] Experts were asked, if possible, to evaluate the level of imitability at the time of the first internationalization attempt of a company. The year of that first internationalization step was provided in the questionnaire. Although we are aware that this method of capturing imitability only at one point in time is a weakness of the measurement, we expect that the imitability of an online shop does usually not change drastically over time.

value and the average measure showed the same results. Therefore, for ease of interpretation, we used the average as measure of imitability.

A dichotomous measurement was applied for the variable presence of VC to indicate whether a VC invested venture capital in the online shop. Within the sample, VCs are involved in 52.6 % of the firms.

A number of control variables were included in our analysis. First, more homogeneous customer demand across countries could imply faster internationalization. This homogeneity is likely to differ between product categories (Cloninger and Oviatt 2007; Pedersen and Shaver 2011). However, we do not elaborate on these differences but rather controlled for the product category following the categorization of Internet Retailer (2013), which resulted in categorizing online retailers in 16 different product categories. Second, we controlled with a categorical variable for possible effects of the home country market of the online retailer and whether the home country may affect internationalization speed. Both categorical variables are imputed in our model as a series of dummy variables. Third, to control for any systematic age effects over time, our variable age determined the number of years that a firm has been active in online selling at the time of every internationalization step (Powell 2014b). To consider the influence of other existing channels, the dichotomous variable multi-channel retailer (MC) captures whether other sales channels apart from the online shop exist; within the sample, multi-channel retailers account for 46 % of the firms. In our dataset, the variables category, home country, multi-channel retailer and venture capitalist are measured statically at one point in time, whereas all other variables in our dataset were measured dynamically for every new internationalization step.

	Item	1	2	3	Communa-lities
1	There are some competitors operating with a similar concept.	1.000	0.737	0.745	0.781
2	The business model could be quite easy replicated by another company.	0.737	1.000	0.910	0.905
3	Generally spoken, it is quite easy to imitate this online shop.	0.745	0.910	1.000	0.911

Note: n = 150. Items measured on a 10 point Likert scale, ranging from 1 = “don’t agree” to 10 = “fully agree”; extraction method: Principal component, 1 component extracted. Cronbachs Alpha: 0.918.

Table 14: Items and correlations

Source: Own Illustration.

3.3 Method

Given the longitudinal nature of our data, event history analysis with a Cox proportional hazards model was used for hypothesis testing. This model is the most commonly used regression model for the analysis of survival data and provides several

advantages compared with common regression models: (1) good flexibility and capacity to include events at different moments in time, (2) no requirement for the specification of any underlying distribution and (3) appropriateness for data with a temporal bias and independent variables that vary over time (Fuentelsaz et al. 2002; Yu et al. 2011). This takes the characteristics of our dataset into account and explicitly considers the variations of the independent variables over time. The model analyses the chance or 'hazard' that a defined event will occur with respect to the unit of interest (e.g., a firm) after a given time period (Allison 2004). We define the event as an online retailer's entry into a new country market and assume that the chance of the event's occurrence is influenced by the covariates in our model. The Cox proportional hazards model attempts to explain the occurrence of an event (e.g., entry into a new country market) as a function of several explanatory variables (Casillas and Moreno-Menéndez 2014):

$$h(t) = h_0(t)\exp(\beta_1 x_1 + \beta_2 x_2 + \ldots + \beta_k x_k)$$

where $h_0(t)$ is the baseline hazard function, x is the covariate values, and β is the regression parameter. To adapt the model to our research, we used a Cox proportional hazard model with multiple-record data and multiple events, considering that a firm experiences several consecutive events (entries into country markets) within the considered time span of our analysis.

4. Results and Discussion

Table 15 presents the descriptive statistics and the correlation matrix for the independent variables. Among the independent variables, no correlation exceeds 0.7, and no serious risk of multicollinearity is evident (Anderson et al. 2014). To further test for multicollinearity, the variance inflation factors (VIFs) were estimated (Diamantopoulos and Winklhofer 2001); no indicator revealed a multicollinearity problem (VIF < 2.3 for all indicators).

Table 16 presents the statistical results of the hypothesis testing. The hazard ratios represent the proportional change in the hazard rate for a one-unit increase in the respective independent variable. We applied a multiple-step approach that included a comparison between different models. Before computing the model, we mean-centered all variables to avoid multicollinearity (Cohen et al. 2003). To test for curvilinear effects, squared variables were used. The categorical variables product category as well as home country and their effects are considered as single indicator variables in our models. To provide a better readability of the results with focus on the main hypotheses, we do not display the coefficients for the indicator variables and present them in the additional Table 17 instead.

The first model is the baseline model and includes only control variables. Model 2 includes all control and independent variables except the squared variables. Model 3 serves to test whether a model which includes also quadratic terms for the two variables for which we posited only linear effects (distance and added distance) performs better or worse than our proposed model (model 4). The fit for model 3 is inferior to that of model 4, indicating linear effects for distance and added distance. Finally, model 4 contains all variables, including the squared variables for the variables where curvilinear effects were posited. The inclusion of both linear and curvilinear effects significantly improves the predictive power of the model as compared to model 2, as the R^2 values show, as well as the model fit, as the log-likelihood ratio tests show; hence, the final model provides a more thorough test of the expected effects (Bowen and Wiersema 2004).

Some of our control variables show a significant and consistent influence on speed. Age, as measured in the number of years in which a firm is active in online selling, shows a significant and negative influence on internationalization speed. A similar result is observed by Powell (2014b), who finds that younger firms may be more interested in quickly exploiting international opportunities. A potential reason is that more recently founded online retailers face higher competitive pressure in their home markets, which drives them to internationalize and to quickly obtain a larger customer base. The product category also shows an influence on internationalization speed. In our sample, online retailers in the categories apparel/accessories/shoes and jewelry were showing a high internationalization speed while opticians and sporting goods internationalized rather slowly. Due to the largely different sample sizes for these categories, the findings should be interpreted with caution, though. The home country, capturing the influence of different home countries and therefore varying general conditions, shows an effect, whereby some home countries (e.g. the UK) seem to lead to a higher internationalization speed. However, given the largely different sample sizes (see Table 13), these findings are not interpreted in more detail. The existence of other channels in terms of a multi-channel approach shows no significant effect in the final model.

Hypothesis 1 posits a curvilinear influence of online shop imitability on internationalization speed. The final model supports H1, with a significant negative effect of imitability (h.r. =207.736, $p < 0.001$) and a significant positive effect for the squared imitability (h.r. =0.6972, $p < 0.001$). Figure 8 shows the relationship between imitability and the time between two consecutive new country market entries. When the level of imitability is low, firms internationalize slowly; with higher levels of imitability, the speed of internationalization increases and reduces the number of days between two market entries. Beyond a certain threshold of imitability, further increasing imitability reduces the speed of internationalization.

	Mean	Std. Err.	1	2	3	4	5	6	7
1 Speed in Days	395.5937	23.8811	1						
2 Age	3.7865	0.1266	-0.0152	1					
3 MC Retailer	0.4937	0.0150	0.0215	0.0244	1				
4 Imitability	7.6607	0.0179	0.0759*	0.0981**	0.0456†	1			
5 Venture Capitalist	0.4928	0.0150	-0.0751*	0.0649	-0.5841***	0.0575	1		
6 Added Distance	578.8892	48.2514	-0.0251	0.1555***	0.0088**	-0.0032	-0.049**	1	
7 HM Distance	1058.0340	71.3287	-0.1405***	0.1459***	0.0457	-0.0359	-0.0838	0.5246***	1
8 Diversity	5811.4010	381.6544	-0.0525†	0.2393***	0.0712	-0.0145	-0.1208***	0.2712***	0.518**
9 Geographic Scope	5.7838	0.1471	-0.1716***	0.3226***	-0.0491*	-0.0739*	0.1016***	0.0725***	0.2115*

Note: n = 1,110. Significance Levels: *** < 0.001; ** < 0.01; * < 0.05; † < 0.10, respectively.

Table 15: Descriptives and correlation matrix

Source: Own illustration.

	Model 1	Model 2	Model 3	Model 4
Category [1)]				
Home Country [1)]				
Age	1.2055***	1.1803***	1.1069***	1.1294***
	(0.0166)	(0.0198)	(0.0207)	(0.0207)
MC	1.1564†	1.3348*	1.0294	1.0538
Retailer	(0.1012)	(0.1557)	(0.1270)	(0.1284)
Imitability		1.0490***	202.6858***	207.7630***
		(0.0813)	(211.8803)	(218.7793)
Venture Capitalist		1.1998	0.9639	1.0100
		(0.1358)	(0.1100)	(0.1155)
HM Distance		1.0003***	1.0007***	1.0003***
		(0.0000)	(0.0000)	(0.0000)
Added Distance		0.9998***	0.9994***	0.9998***
		(0.0000)	(0.0001)	(0.0000)
Geographic Scope		1.1288***	1.6689***	1.6892***
		(0.0118)	(0.0582)	(0.0582)
Diversity		1.0001***	1.0000***	1.0002***
		(0.0000)	(0.0000)	(0.0000)
Imitability SQ			0.6983***	0.6972***
			(0.0509)	(0.0513)
Geographic Scope SQ			0.9800***	0.9798***
			(0.0017)	(0.0017)
Diversity SQ			1.0000**	0.9988**
			(0.0000)	(0.0000)
HM Distance SQ			1.0000	
			(0.0000)	
Added Distance SQ			1.0000	
			(0.0000)	
Log-Likelihood	-3439.5796	-3259.7316	-3142.7889	-3101.7338
Chi Square	535.2	894.9	1128.78	1210.89
R Square	0.16	0.49	0.53	0.61

Note: n = 1110 observations; Std. Err. in brackets; Significance Levels: *** < 0.001; ** < 0.01; * < 0.05; † < 0.10

[1)] To provide a better readability on the hypothesis testing in our models, the categorical control variables category and home country are excluded in this table and their values are put in Table 17.

Table 16: Cox regression hazard models

Source: Own illustration.

	Model 1	Model 2	Model 3	Model 4
Category	2.5823*	1.6676*	0.9076*	0.9894*
Apparel/Accessories/Shoes	(1.0857)	(0.7108)	(0.3896)	(0.4236)
Category	6.2271***	1.9718**	0.7667*	0.7310**
Jewelry	(2.8735)	(0.9527)	(0.3747)	(0.3552)
Category	6.4285***	1.9302	1.2546	1.3165
Automotive Parts/Accessories	(2.8485)	(0.8954)	(0.5814)	(0.6080)
Category	1.4477	1.0800	0.5713	0.6154
Books/Music/Video	(0.7751)	(0.5861)	(0.3112)	(0.3349)
Category	1.1032	0.8231*	0.4165*	0.4430*
Computers/Electronics	(0.5067)	(0.3903)	(0.2012)	(0.2133)
Category	1.9762	1.4365	1.2436	1.3635
Food/Drug	(1.4153)	(1.0539)	(0.9166)	(1.0039)
Category	0.8408	0.6387	0.3860	0.4362
Health/Beauty	(0.7033)	(0.5377)	(0.3255)	(0.3671)
Category	2.8851*	1.4970	0.9661	0.9482
Housewares/Home Furnishings	(1.2704)	(0.6665)	(0.4320)	(0.4236)
Category	3.2929**	0.9607	0.9393	1.0500
Mass Merchant	(1.4674)	(0.4441)	(0.4348)	(0.4835)
Category	2.7079*	1.4849	0.5530	0.6136
Miscellaneous	(1.2063)	(0.6771)	(0.2559)	(0.2835)
Category	4.7779***	2.6859*	0.6711	1.2664*
Opticians	(2.3348)	(1.4121)	(0.3610)	(0.6704)
Category	3.4305*	2.5907*	1.0994	1.1707
Pet Supply	(1.8507)	(1.4186)	(0.6094)	(0.6471)
Category	2.4640†	1.1589	0.6886	0.6993
Specialty/Non-Apparel	(1.1872)	(0.5748)	(0.3452)	(0.3493)
Category	3.0109*	2.1771*	1.2986*	1.3264*
Sporting Goods	(1.7770)	(1.2978)	(0.7763)	(0.7929)
Category	3.2637**	2.0268	0.8612	0.9184
Toys/Hobbies	(1.4470)	(0.9188)	(0.39649)	(0.4213)
Country	0.7808	0.4309**	0.8199	0.5925*
Austria	(0.2338)	(0.1394)	(0.2753)	(0.1976)
Country	1.0406	0.6793	0.6194	0.5215
Belgium	(0.7510)	(0.4935)	(0.4531)	(0.3807)
Country	4.5839***	2.6293**	3.0007***	2.3318***
Denmark	(1.3103)	(0.8077)	(0.9726)	(0.7488)
Country	1.5824***	0.9916	1.0605	0.8501
Germany	(0.1982)	(0.1461)	(0.1805)	(0.1400)
Country	1.5524**	1.2785	1.0569	0.8820
France	(0.2375)	(0.2071)	(0.1952)	(0.1599)
Country	0.6817*	0.6591**	0.9070	0.6991**
United Kingdom	(0.1206)	(0.1270)	(0.1855)	(0.1396)
Country	7.0793***	3.9098***	2.0933**	1.6570**
Italy	(1.7599)	(1.0238)	(0.5896)	(0.4565)

(continued)

(continued)

	Model 1	Model 2	Model 3	Model 4
Country	1.1343	0.8658	1.1684	0.9688
Netherlands	(0.3606)	(0.2845)	(0.3982)	(0.3288)
Country	0.4183	0.9322	0.5501	0.4573
Norway	(0.3062)	(0.7021)	(0.4189)	(0.3471)
Country	2.5441***	1.2933	0.8502	0.7453
Sweden	(0.5790)	(0.3261)	(0.2271)	(0.1968)
Country	2.1144	1.1060	0.5063	0.4425
Switzerland	(1.7474)	(0.9249)	(0.4286)	(0.3743)
Country	6.0296***	3.0330***	2.0732***	1.7874**
Spain	(0.9607)	(0.5697)	(0.4270)	(0.3594)

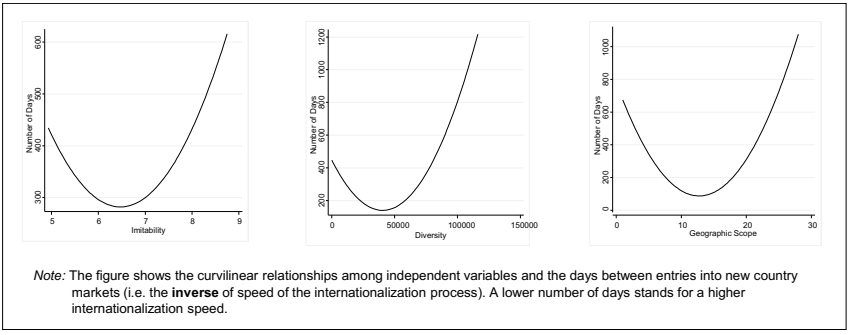
Note: Extraction of the values of the categorical variables Category and Home Country of Table 4.

Table 17: Cox regression hazard models – coefficients for the indicator variables

Source: Own illustration.

Following the network approach, Hypothesis 2 posits a positive influence of the presence of a VC on internationalization. None of our models showed a significant effect, and H2 must therefore be rejected. This result implies that VCs in the case of an online shop do not seem to push a company towards faster internationalization or that online retailers can find other sources for the necessary resources if they want to quickly internationalize.

Hypothesis 3a posits that a greater distance between a newly entered country market and the home country has a negative influence on speed. H3a is supported by all models, with a significant negative effect of HM distance (h.r. > 1, p < 0.001).



Note: The figure shows the curvilinear relationships among independent variables and the days between entries into new country markets (i.e. the **inverse** of speed of the internationalization process). A lower number of days stands for a higher internationalization speed.

Figure 8: Relationships between independent variables and (the inverse of) internationalization speed

Source: Own illustration.

Hypothesis 3b posits a negative influence of greater added distance on speed. Contrary to our expectation, the effect on speed in the sample was positive and significant (h.r. = 0.9998, $p < 0.001$ in the final model 4). Therefore, H3b must be rejected. We do not have a conclusive explanation for this effect, which has also been argued inversely in other studies, e.g. Hutzschenreuter et al. (2011).

Hypothesis 3c posits a curvilinear relationship between geographic scope and the speed of internationalization. Model 4 supports H3c. The effect of geographic scope is significant and negative (h.r. = 1.6892, $p < 0.001$), the effect of geographic scope squared is significant and positive (h.r. = 0.9798, $p < 0.001$). As Figure 8 shows, greater geographic scope initially accelerates the speed of internationalization and reduces the number of days between two market entries; however, beyond a certain number of countries, further internationalization is decelerated.

Hypothesis 3d posits a curvilinear relationship between diversity and internationalization speed and finds support in model 4 with a negative significant effect of diversity (h.r. = 1.0002; $p < 0.001$) and a positive significant effect of diversity squared (h.r. = 0.9988; $p < 0.01$). Figure 8 shows the relationship between diversity and internationalization speed. Increasing diversity initially increases internationalization speed and reduces the number of days between two market entries, as a result of the higher levels of international knowledge, but beyond a certain point, the complexity of international operations in diverse markets decelerates further internationalization. Table 18 presents an overview of the results of the hypotheses tests.

Hypothesis		Acceptance / Rejection
H1	The imitability of an online shop has a curvilinear influence on internationalization speed (inverted U shape)	supported
H2	The participation of a venture capitalist in an online shop has a positive influence on internationalization speed	rejected
H3a	The distance between the newly entered market and the home country has a negative influence on internationalization speed	supported
H3b	The added distance of a new market to the existing country portfolio has a negative influence on internationalization speed	rejected
H3c	The geographic scope of the country portfolio has a curvilinear influence on internationalization speed (inverted U shape)	supported
H3d	The level of diversity within the country portfolio has a curvilinear influence on internationalization speed (inverted U shape)	supported

Table 18: Overview on the hypothesis tests

Source: Own illustration.

5. Conclusion, Limitations and Implications

The aim of this paper is to examine possible factors influencing the internationalization speed of online retailers following various calls from researchers to explain speed based on factors at the individual, organizational and supra-organizational levels, to identify timing decisions in the retail sector and to examine internationalization speed in a geographically diversified country sample (e.g., Casillas and Acedo 2013; Fuentelsaz et al. 2002; Powell 2014b). Consistent with current literature, online retailers' internationalization is viewed as a dynamic, path-dependent process (Casillas and Acedo 2013; Hutzschenreuter et al. 2007). Moreover, we methodically focus on a step-by-step observation of internationalization speed to observe changes in the relevance of the influencing factors during the internationalization process and over time. Based on the RBV, we were able to identify and empirically test factors at the three mentioned levels that influence the internationalization speed of online retailers.

The imitability of an online shop can be highlighted as the most important factor influencing the internationalization speed of an online retailer, as it shows the strongest effect. Low imitability permits an online retailer to internationalize slowly after exploiting the market potential in the home country and sequentially in each entered host market. Very high imitability does not give an online retailer the firm-specific advantages that are required to be successful in a foreign market and therefore also slows internationalization. In between the two extremes, moderately high levels of imitability provide a firm with the necessary advantages to internationalize and the pressure to do so quickly to transform the temporary advantage of the online shop into a more sustainable advantage, namely, a large customer base in different countries.

The distance to newly entered countries as well as scope and diversity of the country portfolio significantly influence an online retailer's internationalization speed. The distance from a newly entered country to the home country slows down this internationalization step because the farther a country is from the home country, the more difficult it is to use the advantages the online retailer has gained in the home country. With regard to the scope of international activities, our study demonstrates the existence of a threshold beyond which the internationalization process is decelerated. In our sample, this threshold is at 12 countries. This result implies that after entering a certain number of countries, the marginal advantage of entering an additional country market is lowered, and the most attractive countries are already entered; thus, further internationalization is decelerated. Before this threshold is met, the increasing scope of countries improves the basis for further expansion and accelerates internationalization. Increasing diversity in the country portfolio initially has a positive effect as a basis for experiential learning and knowledge accumulation (Nachum et al. 2008). Until a certain level of diversity is reached, online retailers appear to employ rapid internationalization, learning from the exploration of new capabilities

accumulated as a result of diversity. However, beyond a certain level of diversity, the complexity gets too high, decelerating further internationalization.

Despite its findings, our work obviously entails some limitations, which suggest implications for future research. First, with the CAGE measure of Ghemawat (2001) for distance and diversity, we employed a well-accepted, however aggregated measurement as a proxy. For future research, it would be interesting to provide a systematic, in-depth analysis of the different elements of distance to gain a deeper understanding of which aspects of distance are the most important ones in the case of online retailers. Such an analysis could be based on the framework of Berry et al. (2010) who propose nine dimensions of distance. Furthermore, we were not able to capture imitability in a dynamic way. Instead, we only have one static measure for imitability for each online shop. Although we expect that the imitability of an online shop does usually not change drastically over time, this limitation should be addressed in future research. Our variable venture capitalist was due to data availability as well only captured at present and therefore only at one static point in time and not in a dynamic way. Though anecdotal evidence shows that venture capitalists are often engaged from the early stages of internationalization of an online shop, if present at all, this is a further limitation and should be taken into account in future studies.

Our paper focuses on the determinants of speed within the internationalization process and uses market characteristics as determinants but does not investigate market selection itself. Thus, there is room for future research to explicitly investigate which factors determine the choice and order of country selection within the internationalization process of online retailers. A final implication for future research is the examination of the relationship between the internationalization speed and performance of online retailers to expand this research from a purely explicative approach to a normative approach. This relationship may be assumed because online retailers often pursue a ‘get-big-fast’ internationalization strategy and it has been found in IB literature for INV’s (e.g., Powell 2014b; Zhou and Wu 2014). However, an examination of internationalization speed on performance was not possible in our case for online retailers due to data restrictions.

In summary, our findings indicate that the speed of internationalization of online retailers is path-dependent and does not only depend on the next entered country but also changes with the extant country portfolio. The investigated variables based on the RBV are of relevance to explain internationalization speed in the online retailing industry.

Part V: Overall Conclusions

1. Core Results

As stated initially, retailing has been subjected to dramatic changes within the last 20 years. Besides the internationalization of retailers, which has been described as ever increasing (Waarts and van Everdingen 2006), the advent of online retailing is one of the most important changes in the evolution process of retailers in the last two decades. Moreover, the majority of studies in the sector of IB literature have been conducted in the context of manufacturing firms and cannot be transferred without reservation from the manufacturing to the retail sector (Elsner 2014). The same holds true for the sector of online retailing, in which the research status is still fairly narrow as well.

With respect to the high relevance of online retailing in practice, important issues of online retailing have been illustrated, examining the following research objectives:

(1) What determines the intention of store-based retail and wholesale companies to open up an own online channel?
(2) Which factors determine the foreign market selection behavior of online retailers?
(3) Which factors affect the internationalization speed in the internationalization process of online retailers?

The core results of these questions provide new insights and can be summarized as follows.

In terms of the first research objective, essay one of this study investigates factors determining the intention of store-based retail and wholesale companies to open up an own online channel. Within the last years, the number of small online retailers has grown rapidly (Lu and Liu 2015); companies in almost all trade sectors have started to sell goods through online channels. For many companies, though, establishing an online channel poses a major challenge, especially for small and medium-sized enterprises (SMEs), due to the scarcity of available resources. There is evidence that SME retailers and wholesalers are lagging behind in the adoption of these modern distribution techniques, which may place them at a disadvantage relative to larger competitors. Hence, industry experts and executives from buying associations, in which SME retailers and wholesalers are often organized as members, intend to encourage the use of state-of-the-art distribution techniques such as online selling. Therefore, the aim of the essay is to examine factors determining the intention of SMEs to launch an online shop.

M. Schu, *Online Growth Options for Retailers*, Handel und Internationales Marketing / Retailing and International Marketing, DOI 10.1007/978-3-658-18215-1_5

The study shows that rational arguments are indeed a dominant factor in the decision of a company. As the findings show, perceived usefulness has a major effect on the intention to launch an online shop and perceived customer pressure is the most influential factor on perceived usefulness, similar to other studies (e.g., King and He 2006; Lee et al. 2003). From the perspective of customers of SME wholesale or retail companies, this finding shows that they can exert a strong influence on their suppliers by clearly voicing their preferences for such a channel. Furthermore, buying associations can influence the perceived usefulness of an online shop, e.g. by conducting market research on their members' customers.

But maybe more interesting, the essay also shows that not only rational arguments but mimicking the behavior of other firms in their environment affect the intention of an SME to launch an online shop and that seeking legitimacy matters. Thus, the imitation of practices of other companies plays a prominent role. Furthermore, if relevant companies in the environment of an SME exert peer pressure, SME retailers and wholesalers conform to that pressure. However, "voluntary" mimetism seems to have a stronger influence than the coercive pressure. Firms in the sample more intensively followed what a larger group of companies in their environment did rather than responding to perceived pressure from peers. As a main result, it can be said that these results support the assumption that the decision of SME retailers and wholesalers to establish an online shop is affected by institutional influences from the environment. The retrieval for legitimacy indeed matters. The managerial implications of this finding are relevant for executives from buying associations who want to encourage their members to establish an online shop. Using the example of peers with online shop has been shown to be a very powerful argument.

According to the second general research objective, essay two of this study focuses on determinants influencing the foreign market selection behavior of online retailers. International market selection (IMS), as the choice of which country or countries to enter, is a strategic decision for a firm and needs to be made with meaningful deliberation and care (Douglas and Craig 2011). It can affect the appropriateness and applicability of firm-specific resource advantages, transaction costs as well as the capability of firms to effectively transfer knowledge (Brouthers et al. 2009). Despite the recognized importance of IMS in the literature, there is still little knowledge how international market selection decisions are made and moreover, the use of existing theories to explain how firms choose international markets is scarce (e.g., Brouthers and Nakos 2005; Brouthers et al. 2009; Ellis 2000). This holds true for retailers in general (Gripsrud and Benito 2005; Swoboda et al. 2009) and for online retailers in particular.

Market entry decisions are often said to focus on country evaluations based on macro-economic factors. But apparently similar countries in terms of economic factors may dramatically vary in terms of other contextual factors such as culture, administrative

practices and so on (Douglas and Craig 2011; Gripsrud and Benito 2005; Whitley 1992). Moreover, firm-specific factors such as their built-up capabilities may also influence the order of selected markets over time. Therefore, the objective of this essay is to link an institutional view on IMS with a capability-based perspective. In doing so, the dynamic process of firm's international market selection over time are statistically reproduced as a path-dependent sequence of their internationalization steps. This allows to observe a combination of different attributes into overall evaluations of the attractiveness of chosen markets, assuming that online retailers tempt to maximize the utility of markets for their specific interests.

Dynamic capabilities are combined with an institutional view on IMS. The focus lies on economic factors, the role of cultural and geographic distance in an online retail context, institutional effects as well as the effects of experience and local market knowledge in respective target countries. The results indicate that the identified factors market size, rule of law, local market knowledge, common language between the home country and the target country as well as logistics performance of a target country have a positive effect on the likelihood of an online retailer to select a specific target county: Legal and regulative conditions in a target market are of high relevance for online retailers; the results of essay two provide evidence that a better rule of law positively influences an online retailer's propensity to select the new target market. Already existing sales channels of a retailer in possible target countries show a significant impact on the market selection as well. When other sales channels are present in a possible target market, the propensity to select this market is significantly higher; already gained country knowledge is used and transferred to the online shop. Furthermore, though the World Wide Web is said to significantly reduce the classically assumed impact of distance, cultural and geographic distance as well as added geographic distance still show a negative impact in terms of selecting a foreign market by an online retailer. Different than expected, added cultural distance between a new market and the existing country portfolio does not show the expected negative effect, which challenges the idea of a sequential learning process. Perhaps, in the case of online retailers, who often practice a 'get-big-fast' approach during the internationalization process, the speed of internationalization may be too fast to prepare for and respond to recognized differences in distant markets. As Yamin and Sinkovics (2006) have already assumed, the internationalization stages of online retailing seem to be so compressed that the reduced time dedicated to studying markets does not support deeper learning about the culture of the foreign market.

In terms of the third research objective, essay three of this study investigates factors which determine the internationalization speed of online retailers. As the globalization of markets and limited possibilities for growth in national markets have increasingly caused retailers to internationalize their operations, the management of operations in diverse country markets has become a critical task (Assaf et al. 2012; Hoenen and Kostova 2014). Whereas this trend has been shown in the literature for store-based

retailers, it is even more relevant for online retailers. Online retailers appear to internationalize more rapidly and in a different way than traditional brick-and-mortar retailers. Furthermore, there is widespread agreement that the internet is providing firms with new ways to conduct business (Loane et al. 2004). It significantly reduces psychic barriers and makes early internationalization a more viable and cost-effective option for firms (Sinkovics and Penz 2005; Wen et al. 2001). Within the last decade, internet retailers have undertaken remarkable efforts in opening new sales markets in foreign countries. Many online retailers pursued a 'get-big-fast' strategy, with a focus on pricing and marketing to intensively develop their customer base as a significant source of increasing returns (Oliva et al. 2003).

Examining internationalization processes, researchers identified three basic dimensions: speed, extent (e.g., the percentage of foreign sales) and scope (e.g., the number of foreign markets) (Hagen and Zucchella 2014; Zahra and George 2002). Whereas extent and scope have been in focus of IB research for decades, research on international entrepreneurship and international new ventures highlights the role of speed, but these studies generally imply a uniform internationalization speed and do not focus on individual internationalization steps. A rapid internationalization and a rapid exploration of foreign markets have been shown to have several advantages, e.g., performance and growth advantages (Oviatt and McDougall 2005; Powell 2014b), learning advantages (Autio et al. 2000; Zhou and Wu 2014), or first- and early-mover advantages (Oviatt and McDougall 1994, 2005), It has become an important topic for researchers (Jones and Coviello 2005; Oviatt and McDougall 1994; Sharma and Blomstermo 2003a; Trudgen and Freeman 2014; Zahra and George 2002). The majority of studies conceptualize internationalization speed as uniform throughout the entire internationalization process (i.e., in a single figure) or merely focus on the length of time from inception to the first internationalization step (Casillas and Acedo 2013; Madsen 2013; Zhou and Wu 2014). The development of the internationalization process over time and changes in speed have been scarcely researched, and "very little research has sought to explain the speed of the process once it is under way" (Casillas and Acedo 2013, p. 26). In addition, IB research mainly focuses on the internationalization processes of multinational enterprises (MNEs), but not on retailers in general (Elsner 2014) and online retailers in particular. The same holds true for international entrepreneurship research, in which online retailers as a kind of digital start-ups are also not in the center of research.

Following various authors (e.g., Casillas and Acedo 2013; Fuentelsaz et al. 2002; Powell 2014b), the objective of essay three is to investigate and empirically test the factors influencing internationalization speed in the online retail sector. Out of these examined factors, the imitability of an online shop is identified as the most important factor influencing an online retailer's internationalization speed. A low imitability permits an online retailer to internationalize slowly after exploiting the market potential in the home country and sequentially in each entered host market. A very

high imitability does not give an online retailer the firm-specific advantages that are required to be successful in a foreign market and hence also slows internationalization. Moderate to high levels of imitability provide a firm with the necessary advantages to internationalize and the pressure to quickly transform the temporary advantage of the online shop into a more sustainable advantage. Further identified factors, which influence the internationalization speed of online retailers, are the distance to newly entered countries as well as the scope and the diversity of the country portfolio. The perceived distance from a newly entered country to the home country slows down the internationalization step because the farther a country is from the home country the more difficult it is to use the advantages the online retailer has already gained. In terms of scope of an online retailer's international activities, the existence of a threshold is identified beyond which the internationalization process is decelerated. This identified threshold implies that after entering a certain number of countries, the marginal advantage of entering an additional country market is lowered, and the most attractive countries are already entered; thus, further internationalization is decelerated. Though, before this threshold is met, the increasing scope of countries improves the basis for further expansion and accelerates internationalization. The increasing diversity in the country portfolio initially has a positive effect as a basis for experiential learning and knowledge accumulation. Until a certain level of diversity is reached, online retailers appear to employ rapid internationalization, learning from the exploration of new capabilities accumulated as a result of diversity. However, beyond a certain level of diversity, the complexity gets too high, decelerating further internationalization.

2. Limitations

Besides the aforementioned core results, the three presented essays entail limitations and provide room for improvement and further research.

The majority of the limitations of Essay 1 are related to constraints of data availability and measurement issues. First, due to data unavailability, it is not possible to investigate a possible performance effect of establishing an online shop by SME retailers and wholesalers. Thus it was assumed but not tested whether to open an online shop is indeed beneficial in terms of financial performance. To overcome this first limitation, future research should try to collect performance-related data as well to test the assumed positive effect from the intention to start in online selling to the operation of an own online shop and how it affects the overall firm performance.

A second limitation has its origin in the operationalization and measurement of the constructs 'commonness of online shops' (MIM) and 'perceived peer pressure' (COER). Due to the length of the survey and its limited space, MIM and COER were measured with only two items each. Though these two constructs are considered in the literature as rather complex (e.g., Mizruchi and Fein 1999; Sanders and Tuschke 2007), there is

no detailed operationalization in the context of SMEs and online retailing. Future research should focus on a more in-depth operationalization of the constructs MIM and COER, e.g. with four or five variables each to measure the related construct.

A further limitation is related to the abovementioned issue: While essay 1 focuses on the question of whether an SME mimics the behavior of a larger group of companies within the trade sector, other authors note that there might also be a "follow-the-leader" behavior (e.g., Haveman 1993), for instance, companies may tend to follow a few successful first-movers. With a modified operationalization of the variables for institutional pressure, this question should be researched as well. Such a follow-up research paper could be able to identify which groups within the environment of an SME exert a particularly strong influence on the behavioral intentions and which groups or single companies serve as role models for mimetic behavior.

Moreover, the results of essay 1 are limited by the single respondent approach. To maximize the number of participating companies, only one respondent per company was addressed. Looking for multiple respondents in each company would probably have drastically reduced the number of responding companies. Nonetheless, future research should try to successfully approach several respondents in each firm to provide a more valid database.

Finally, essay 1 proposed a model for SMEs but only German SMEs were examined. Collecting data on large retail and wholesale firms and as well outside Germany would allow for a comparison of whether the factors influencing the intention to launch an online shop differ between SMEs and large companies and whether differences between countries exist.

With regard to essay 2, five main limitations can be identified. First, the sample focuses on online retailers from the European continent and only considers markets which are geographically located in Europe for the international market selection process. Therefore, the findings may not be used without reservation in markets located outside Europe, where firm behavior and market conditions may be different. For future research, it would be interesting to test the hypotheses on a global level and examine, whether the market selection behavior of globally acting online retailers may change when leaving the home continent which may be a major step (considering, e.g., the existing logistics bases and cultural experiences) and therefore lead to new expansion paths. Moreover, it would be beneficial to analyze and compare online retailers with mixed internationalization paths and market entries on several continents with those forcing their internationalization on just one continent. In doing so, researchers could identify whether the factors of IMS would drastically change and whether this has an influence on an online retailer's overall success.

A second limitation of essay 2 is that the chosen online shops for physical goods are just generally considered; a distinction between different product categories has not been in the focus of this work. The analysis whether online retailers from different product categories, e.g. a fashion online retailer vs. a furniture online retailer, behave different in their selection of markets might be interesting for further research. As Cloninger and Oviatt (2007) mention, the influence of country culture on consumption differs with the product category. This may change the impact of cultural distance on market selection in terms of different product categories.

As a third limitation, the absence of performance measures in the sample can be named. As a result, the relationship between IMS and performance of online retailers was not examined. In doing so, further research could help to develop this purely explicative to a normative approach.

A further limitation is that the interplay between different channels was not examined in detail. Essay two examined whether local market knowledge, generated by already existing sales channels, influences the decision to open up an online shop in this market. For future research, it would be interesting to also analyze a potential impact on the creation of channel conflicts and the impact for the overall internationalization strategy of a multichannel retailer.

A last limitation is the lack of examining the motives for internationalization as well as the motives for choosing a specific country. This was not possible due to the use of secondary data. Moreover, it is likely that this will not be possible for the 140 retailers that were used in the essay but would massively reduce the sample size. Complementing this secondary data with primary data from a company survey would strongly increase the insights from such a study.

For essay 3, four main limitations can be observed. First, with the CAGE measure of Ghemawat (2001) for distance and diversity, a well-accepted, however aggregated measurement was employed as a proxy. For future research, it would be interesting to provide a systematic, in-depth analysis of the different elements of distance to gain a deeper understanding of which aspects of distance are the most important ones in the case of online retailers. Such an analysis could be based on the framework of Berry et al. (2010) who propose nine dimensions of distance.

A second limitation is that imitability was not captured in a dynamic way. Instead, imitability was only measured with one static measure for each online shop. Though it is expected that the imitability of an online shop does usually not change drastically over time, this limitation should be addressed in future research. Future research should optimally entrench a dynamic perspective on imitability, capturing an online shop's imitability in every time period.

As a third limitation, the measurement of the variable venture capitalist has to be named. Due to data availability, this variable was as well only captured at present and hence only at one static point in time and not in a dynamic way. As anecdotal evidence shows, venture capitalists are often engaged from the early stages of internationalization of an online shop, if present at all. For future studies, it would be beneficial to examine the presence of venture capitalists on a periodical basis.

A last limitation of essay 3 was the missing link between internationalization speed and the performance of online retailers. Examining effects of internationalization speed on an online retailer's performance would expand this research from a purely explicative approach to a normative approach. For future research, this relationship may be assumed because online retailers often pursue a 'get-big-fast' internationalization strategy and it has been found in IB literature for INV's (e.g., Powell 2014b; Zhou and Wu 2014). However, an examination of internationalization speed on performance was not possible in the case of essay 3 for online retailers due to data restrictions.

3. Conclusion

Newly risen pure players, as well as established, traditional retailers, discovered online retailing as a new field of doing business. The characteristics of this field are dynamism, the possibility of rapid growth and partially high competition. The use of e-commerce as a relatively new format of doing business may improve efficiency, allows the growth of the own market share and the expansion into new markets or market segments. Furthermore, some researchers identify e-commerce as an essential component for the long-term survival of a retailer (Amit and Zott 2001; Ferguson et al. 2005; Ferguson and Yen 2006). Indeed, e-commerce has considerably changed the traditional retail industry (e.g., Verhoef et al. 2015).

Even though the high practical relevance of e-commerce is well recognized by researchers, its prominence as a growth option for retailers in the retailing and (international) management literature is sparse. Aspects of format development and market expansion with the help of e-commerce, which are the emphasis of this study, are not in the focus of research. Whereas the retailing literature shows great effort in research of adding and connecting different channels in terms of multi- and omni-channel approaches, the question of what motivates especially small and medium-sized retailers and wholesalers to open up an own online business and eventually adding it as an additional sales channel to an existing sales network is scarcely examined. Essay one aims to shed light to this subject. Factors influencing the intention of an SME and the existence of institutional pressure, e.g. within buying groups as a part of a firm's environment, are identified and examined. Though rationally justified aspects show the strongest effect in the essay, institutional pressure plays notwithstanding a role. Mimicking the behavior of further players in the environment of a firm affects the intention of SMEs to launch an online shop. The perception of and

from the environment matters and affects the intention towards online retailing. The investigated variables may be used to actively influence this intention.

For MNEs and with focus on manufacturing companies, a considerable amount of literature examining the process of market selection is detectable. Considering an online retailing context, it is not clear in IB and retailing literature, how the market selection process of online retailers takes part. Essay two addresses this issue. It is assumed that online retailers tempt to maximize the utility of markets for their specific interests. A combination of different attributes into overall evaluations of the attractiveness of the chosen markets is observed. Besides others, market size, regulatory conditions, as well as local market knowledge have been identified as important elements of the IMS of online retailers. Though the World Wide Web is said to significantly reduce the classically assumed impact of distance, the essay indicates that distance in its various characteristics still matters, even in the European Union, often stated as one single market without borders.

During the internationalization process, many online retailers pursue a 'get-big-fast' strategy (Oliva et al. 2003), highlighting the practical importance of speed in online retailers' strategies. Besides extant and scope, which have been since decades in the focus of IB research, speed is a basic dimension of internationalization processes (Hagen and Zucchella 2014; Zahra and George 2002). Yet speed was only introduced in the 1990s by the international entrepreneurship research. Though speed has become an important topic for researchers (e.g., Jones and Coviello 2005; Trudgen and Freeman 2014), the literature mainly focuses on the internationalization processes of MNEs and not on retailers. Furthermore, most researchers conceptualize internationalization speed as uniform throughout the whole internationalization process and neglect the dynamic nature of speed. To contribute to the field of internationalization research in terms of speed, essay three considers internationalization speed and time within the internationalization process of online retailers methodically as not uniform and path-dependent, dynamic variables. Based on the RBV, influence factors on online retailers' internationalization speed have been identified and examined. The imitability of an online shop, as well as diversity and scope of the country portfolio have been highlighted as the variables with impact on internationalization speed in the e-commerce industry. Furthermore, the essay identified the presence of curvilinear effects for the aforementioned variables and the existence of thresholds. The findings indicate that speed of internationalization of online retailers does not only depend on the next entered country but also changes with the extant country portfolio.

The three presented essays, which constitute the cornerstones of this study, show that format development and market expansion through online retailing are an appropriate way for retailers to generate growth and turnover. Furthermore, the presented options of the adapted Ansoff-matrix may be used to build up, increase and maintain a

customer base which is able to generate a long term and sustainable profit for retailers. Furthermore, this study provides links for further research which can be used for gaining a deeper understanding of the quite new phenomenon of online retail internationalization and the provision of further insights with a high practical relevance for managers of an online shop and their further expansion strategies.

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