THE INTERNATIONALIZATION OF DIGITAL SERVICES IN B2C MARKETS: BRANDING OR COUNTRY OF ORIGIN EFFECT?

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Extended abstract:

Though the increasing trend towards globalisation presents enormous opportunities for international market expansion, it has been acknowledged that the success of an internationalisation strategy depends, among various other factors, upon having a good understanding of the attitudes that consumers from different countries have towards foreign products or services (Netemeyer et al., 1991). In this respect, an incipient stream of research on servitization has been centered the analysis of how digital services are commercialized to final consumers. Previous research focused on the perception of digital formats for final consumers (Parry et al. 2012), and its influence on supply chain approaches (Bustinza et al. 2013). However, there is not a clear understanding about the internationalization patterns of digital services yet. This is especially relevant given the fact that the success of digital services resides on the quantity sold, rather than on the margin obtained, and hence, firms commercializing those services are forced to expand their offer to foreign markets (Grönroos, 1999).

The present research aims to shed light on this gap by building upon existing international business and marketing literatures constructs such as country-of-origin (COO) effect (Ciravegna et al. 2014; Gomes et al., 2014) and cultural distance (Johanson and Vahlne, 1990). We hypothesize that these variables are as important as the brand of the digital service provider in influencing consumers' purchasing decisions. This hypothesis is underpinned by the fact that digital services are offered in various diverse forms, making it difficult for consumers to be able to evaluate the real quality of all digital services. For instance, movies produced in Hollywood may exert more influence on consumers' perceptions and purchasing decisions than the actual quality of the movie.

In this study, these aspects are investigated in the context of the internationalization process of a British multinational that is intending to commercialize their digital services across the globe. To this end, we analyze how the COO British media services, in this case dubbed as '*Britishness*,' affects consumers' purchasing decision in 22 potential target markets, covering a wide international spectrum. In doing so, we take into account the moderating influence of national cultural distance, as well as of the strength of company's own brand.

The analysis is based on extensive and unique surveys of 19,000 consumers, undertaken in 2013. Absolute sample sizes cover between 500 and 1,500 consumers per target market, depending mainly on country size. The central construct of

48 '*Britishness'* is constructed using 8 Likert scale items ('I generally prefer British to
49 American programmes', 'I generally prefer British to local programmes', 'I love British
50 programmes in general', 'I would love to watch more British programmes than I
51 currently do', 'I love British Comedy programmes', 'I love British dramas', 'I love to see
52 cultural differences such as "Britishness" when watching British programmes', 'British
53 programmes are well filmed and have a high production values'). We have missing
54 data since some respondents did not provide an answer to this question. In total we
55 have 16,717 observations, and as 87.9% of consumers interviewed answered this
56 question.

57
58 The other relevant variables of the study are relative brand recognition, which
59 compares the valuation of the British brand to two other renowned competing
60 international brands; and cultural distance, measured through the Hotsfede cultural
61 distance index (Minkov and Hotsfede, 2011).

62
63 Results suggest that, on average, the COO effect (Britishness) is negatively linked with
64 the brand recognition, suggesting that there is a disconnection between brand and
65 country effects. Besides, the optimal promotional strategy depends on the country and
66 hence in some markets, the COO effect is expected to help the digital service to
67 achieve a faster penetration. Further to this, the relationship between cultural distance
68 and COO effect is negative. Countries culturally close to the British show larger COO
69 effect than middle range cultural distance countries, and these ones have larger COO
70 effect than distant countries. Not surprisingly, this suggests that direct contact with
71 British culture will exert a positive influence on the COO effect.

72
73 This research has implications for academia and practitioners. The internationalization
74 of digital services is contingent to the country in which they are commercialized.
75 Managers should take into account this fact when designing their international
76 strategies. Our results seem to suggest that while in some countries market
77 penetration may be more facilitated by promotional campaigns emphasising the
78 country brand ('Britishness'), in other markets, a stronger emphasis on the company's
79 brand may be more appropriate; or a combination of both.

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81 Our findings also have important implications for researchers. Our findings, not only
82 corroborate previous findings suggesting that the COO effect is an industry related
83 factor (Pharr, 2005), this research also has limitations; specifically future research will
84 need to explore the links between the implementation of those international
85 strategies and their performance.

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