

Handel und Internationales Marketing  
Retailing and International Marketing  
Bernhard Swoboda · Thomas Foscht  
Hanna Schramm-Klein *Hrsg.*

RESEARCH

Matthias Schu

# Online Growth Options for Retailers

Three Essays on Domestic  
and International Growth Strategies  
with Online Retailing



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# Handel und Internationales Marketing / Retailing and International Marketing



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Three Essays on Domestic  
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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

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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-ordered 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,  $\frac{2}{3}$  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).