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

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## ABSTRACT

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

### 1. Introduction

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

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

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

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

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

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

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

## 2. Conceptual background

### 2.1. Retail channel selection in a multichannel environment

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

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

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

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

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

as an offline channel, as telephone channels can effectively replace traditional channels because of their ability to provide direct communication, immediate feedback, and ready-made solutions, which can fulfill the need for direct contact with salespeople (Gensler et al., 2007; Maruping & Agarwal, 2004; Seck & Philippe, 2013; Van Birgelen et al., 2006). Therefore, “an increasing number of big banks are committing millions of dollars to convert their dull telephone call center operations into souped-up cross-sales and service centers that can in many ways rival ‘brick and mortar’ branches.” (Kalakota, 2003, p. 10). Based on this background, we discuss the role of culture in retail channel selection in the next section.

## 2.2. Culture and retail channel choice in multichannel retail

Culture is an influencing force in regulating human behavior. It is broadly defined as “the values, beliefs, norms, and behavioral patterns of a national group” (Leung, Bhagat, Buchan, Erez, & Gibson, 2005, p. 1). Hofstede (1991, p. 5) conceptualized it as “the software of the mind” or “collective programming of the mind that distinguishes one group of people from another.” People from the same culture share similar values (Hofstede, 2001). The values are socialized into a particular group and are then passed on to the next generation (Triandis, 1995); they persist over time and influence consumer behavior (De Mooij, 2015; Luna & Gupta, 2001). De Mooij and Hofstede (2011) argued that culture influences the self-identity, personality, and attitudes of individuals as well as the social and cognitive processes influencing their thinking, perception, and motivation, which shapes their behavior. Culture is generally accepted by marketing researchers as one of the most important underlying determinants of consumer behavior (Cleveland & Laroche, 2007; De Mooij, 2015; De Mooij & Hofstede, 2011; Huff & Smith, 2008; Soares et al., 2007). Based on this conceptualization, existing studies have examined the impact of culture on various aspects of consumer behavior (De Mooij, 2010, 2015; De Mooij & Hofstede, 2011).

Culture differs in several dimensions across nations, including the frameworks provided by Hofstede (2001), Schwartz (1992), and Project GLOBE (House, Hanges, Javidan, Dorfman, & Gupta, 2004). Hofstede (2001) and Hofstede et al. (2010) framework on cross-national variation in culture is comprehensive and the most widely used in marketing literature (De Mooij, 2017; Magnusson, Wilson, Zdravkovic, Zhou, & Westjohn, 2008; Soares et al., 2007). Moreover, there is a high level of convergence across different frameworks which support the theoretical relevance of Hofstede's framework (Soares et al., 2007). Hofstede (2001) and Hofstede et al. (2010) proposed that national culture differs along six dimensions: power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity, long-term vs. short-term orientation, and indulgence vs. restraint which shape consumer behavior (De Mooij, 2004; De Mooij & Hofstede, 2011).

In the context of consumer retail channel selection, the consumer decision-making framework suggests a three-stage process: the search for relevant information on a product, evaluation of alternative channels, and actual purchase of the product through a particular channel (Ansari et al., 2008; Blattberg, Kim, & Neslin, 2008; Kollmann et al., 2012; Schroder & Zaharia, 2008). Consumers weigh the benefits and costs at each stage of the purchase process on the basis of convenience, risk, and service preferences. Culture plays an important role in the decision-making process. For example, prior studies have examined the role of uncertainty avoidance and individualism/collectivism as relevant dimensions for adoption of online channels or e-commerce (Lim, Leung, Sia, & Lee, 2004). While individualism–collectivism refers to an individual's relationship with a social group, uncertainty avoidance refers to the tolerance of ambiguity in society. In the information gathering stage, people in individualistic countries usually acquire information from the media, whereas people from collectivistic countries search for information from close acquaintances and the social group that they consider trustworthy (De Mooij & Hofstede, 2011; Doney, Cannon, & Mullen, 1998). Consumers in countries with low uncertainty

avoidance typically base their decisions on more information sources which increases their personal utility. This differs from consumers in high uncertainty avoidance cultures, who rely on information from family and friends and let feelings of trust dominate decision-making. Such difference in the reliance on the information source and basis of decision making impacts the evaluation of alternative retail channels and selection of retail channel. For example, Lim et al. (2004) found that people in cultures with high uncertainty avoidance are less likely to use an online channel whose trustworthiness cannot be verified as compared to low uncertainty avoidance countries (Cyr, 2013). Based on the above background, we developed our hypotheses using each of the dimensions below.

## 3. Hypotheses

### 3.1. Power distance

Power distance reflects the power inequality and authority relationship in a country. It represents the extent to which the less powerful members of a society accept and expect that power is distributed unequally (Hofstede, 2001). In countries with high power distance, individuals have their rightful place in the social hierarchy (De Mooij & Hofstede, 2011). Members of the society are comfortable with centralized power, and people show respect toward the opinions of superiors and seniors with decision-making authority (Wursten & Fadrhonic, 2012). The opinions of powerful members of society are normally followed by the majority. In contrast, in countries with a low power distance, equality and independence are highly valued, with decision-making depending on facts and data rather than the opinions of people with power in the hierarchy (Hofstede et al., 2010).

In the context of selecting between online and telephone channels, in countries with high power distance, people are opinion seekers and generally rely on personal sources of recommendation (Dawar, Parker, & Price, 1996; Pornpitakpan, 2004). In comparison, in low power distance countries, people seek information from impersonal sources and depend on facts and data while consciously gathering information throughout the decision-making process. People in low power distance countries tend to make decisions based on the evaluation of information. Prior research indicates that countries with a high power distance have higher privacy concerns and lower trust in online channels, which deters consumers from adopting online channels (Wu, Huang, Yen, & Popova, 2012). As a result, consumers in high power distance countries are less likely to adopt an online channel, as the information provided through the online channel is impersonal in nature and is often perceived as unreliable. In contrast, telephone channels provide an opportunity for consumers in these cultures to personally interact with a representative of the retail channel and to authenticate the information provided through the channel. This could be perceived as trustworthy, encouraging the consumers to adopt the telephone channel. Therefore, we propose the following hypothesis:

**Hypothesis 1.** Consumers in countries with a higher power distance are less likely to make a purchase through an online channel as compared to an offline (telephone) channel.

### 3.2. Uncertainty avoidance

The uncertainty avoidance dimension refers to the tolerance of ambiguous or uncertain situations in societies. In countries with high uncertainty avoidance, individuals feel threatened by unknown or uncertain situations, resulting in the need for structure in their lives (i.e., formal rules and regulations). They depend on experts for information and consumer decision-making is based on feelings of trust (De Mooij & Hofstede, 2011). Members of such cultures are distrustful of new ideas or behaviors, less likely to adopt change and take less risks (Moon, Chadee, & Tikoo, 2008). However, in low uncertainty avoidance

countries, consumers are more open to variety and novelty (Doney et al., 1998; Hofstede, 1991) and prefer to search for information from impersonal sources (Dawar et al., 1996). Prior studies in uncertainty avoidance have empirically shown that customers from high uncertainty avoidance countries are risk averse and are resistant to using the Internet because of the perceived risk associated with online transactions (Lim et al., 2004; Nath & Murthy, 2004; Suki & Suki, 2007).

In the context of selecting online and telephone channels, purchasing over the Internet brings with it a greater degree of uncertainty than shopping through telephone channels. One of the most studied reasons for consumers not purchasing from online shops is transactional (i.e., the lack of a mechanism to determine the product's physical attributes) and system-specific uncertainty (i.e., security concerns about the technology used in the payment method), which leads to perceived risk and lack of trust (Jarvenpaa & Tractinsky, 1999; Trenz & Berger, 2013). The telephone channel can reduce uncertainty and build trust with consumers through direct interaction with the consumers (Trenz, 2015). Therefore, it is expected that people in countries with lower uncertainty avoidance levels would generally view online shopping more favorably than would people in countries with higher uncertainty avoidance. This leads us to the following hypothesis:

**Hypothesis 2.** Consumers in countries with higher uncertainty avoidance are less likely to make a purchase through an online channel than an offline (telephone) channel.

### 3.3. Individualism/collectivism

The individualism–collectivism dimension refers to an individual's relationship with the members of a society. In individualistic cultures, the self-identity of people and their immediate family members is more important than the identity of the social group they belong to. Whereas people in individualistic cultures are oriented to maximize their personal utility, in collectivistic cultures, sharing with others is more important than individual utility maximization. People in individualistic cultures express their own individuality more strongly than their societal group. In contrast, in collectivistic cultures, people's identity is based on the social group they belong to, and their behavior is guided by the behavior of the social group, with whom they share a trust-based relationship (Hofstede, 2001). In collectivistic cultures, people value face-to-face communication and trust information provided by the social groups they belong to, whereas in individualistic cultures, people search for and value information from impersonal sources (De Mooij & Hofstede, 2011).

In the context of selecting between online and telephone channels, the online channel as an information source is impersonal in nature and does not offer interpersonal face-to-face communication or its variation, as telephone channels do. Consumers who use telephone channels have the opportunity to interact with the sales person, which helps to build a relationship, resulting in an increase in trust in the channel. Therefore, in collectivistic cultures, telephone retail channels, which share similarities with traditional retail channels in terms of interaction, are expected to be preferred over online shopping, as trust in the vendor and personal contact are important conditions for sales. Meanwhile, online channels are preferred in individualistic countries, which have less preference for face-to-face communication and trust information from beyond the social group they belong to. Therefore, we propose the following hypothesis:

**Hypothesis 3.** Consumers in countries with higher individualism (vs. collectivism) are more likely to make a purchase through an online channel as compared to an offline (telephone) channel.

### 3.4. Masculinity/femininity

The masculinity/femininity dimension refers to the gender role

differentiation in society (Hofstede, 2001). In masculine cultures, there is a clear distinction between gender roles, whereas the convergence of gender roles represents feminine cultures. While work goals in masculine societies emphasize material accomplishments, recognition, and achievement, feminine cultures value quality of life, which emphasizes human relationships and modesty and values friendship (Hofstede, 1998; Hofstede, 2001).

In the context of selecting online and telephone channels, while high masculinity is associated with goal-orientated shopping (utilitarian), in countries with high femininity hedonistic shopping and experience of stimuli are higher valued (Sakarya & Soyer, 2013). Societies that embody masculinity are characterized predominantly by male shoppers and higher incidences of online shopping (Stafford, Turan, & Raisinghani, 2004). At the same time, studies examining the role of gender in the adoption of technology in general and online shopping behavior in particular have found that female shoppers are less comfortable with technology, perceive a higher level of risk in online purchasing, and are less trusting of Internet shopping (Garbarino & Strabilevitz, 2004). For example, Ilie, Van Slyke, Green, and Lou (2005) found that American consumers with higher masculinity accept e-commerce more than Indian consumers with lower masculinity because of the perceived risk and lack of trust in online channels. Based on these rationalizations and empirical findings, we propose the following hypothesis:

**Hypothesis 4.** Consumers in countries with higher masculinity (vs. femininity) are more likely to make a purchase through an online channel as compared to an offline (telephone) channel.

### 3.5. Long- versus short-term orientation

The long- versus short-term orientation dimension refers to the extent to which a society exhibits a pragmatic, future-oriented perspective rather than a short-term point of view. Societies with a long-term orientation follow tradition and value thrift, perseverance with deferred satisfaction, and pragmatism. In contrast, short-term-oriented societies have a tendency toward instant gratification and want to maintain their materialistic status (Hofstede, 2001).

In the context of selecting online or offline selection channels, societies with a long-term orientation may have less receptivity to e-commerce for the following reasons. First, considering that customers from long-term-oriented societies value developing a long-term relationship, they may adopt offline channels, as these channels provide avenues to increase communication between the customer and retail channel. Second, while online channels provide convenience in shopping, customers in long-term-oriented societies may be less willing to pay for it, as thrift is one of the key values of these societies. Finally, customers in long-term oriented societies have higher expectations about the amount and credibility of information (Furrer, Liu, & Sudharshan, 2000). Considering the amount and credibility of information could be higher in telephone channels, it is likely that consumers in countries with long term orientation may prefer a telephone channel. Therefore, we propose the following hypothesis:

**Hypothesis 5.** Consumers in countries with higher long-term orientation are less likely to make a purchase through an online channel as compared to an offline (telephone) channel.

### 3.6. Indulgence vs. restraint

The next dimension added to Hofstede's (2001) cultural dimension is indulgence versus restraint, which refers to the gratification versus control of basic human desires related to enjoying life. While indulgent societies allow relatively free gratification of basic and natural human desires, leading to enjoying life and having fun, restrained societies adhere to relatively strict social norms that suppress gratification of



needs and regulate it by means of strict social norms (Hofstede et al., 2010). Indulgent societies allow relatively free gratification of some desires and feelings, especially leisure, merrymaking with friends, spending, and consumption. These societies consider freedom of speech to be important, perceive themselves to have control of their personal life, and declare themselves as happy. In restrained societies, people are pessimistic and carry perceptions of helplessness, are less likely to remember positive emotions, and have less control over their personal lives.

In the context of selecting online or offline selection channels, the indulgence versus restraints dimension is likely to affect whether an online or telephone channel is selected for the following reasons. First, highly indulgent countries value gratification and tend to spend more, so they are likely to adopt online channels, which are characterized by instant gratification. Unlike these countries, consumers in countries with higher restraints demonstrate need based purchase behavior. Second, online shoppers are more willing to innovate and take risks, are more impulsive, and are more often variety seekers than non-Internet shoppers (Donthu & Garcia, 1999), which matches well with the characteristics of highly indulgent countries. Third, studies on the impact of personality have found that openness to change (Bosnjak, Galesic, & Tuten, 2007), sensation seeking and opinion leadership (Kwak, Fox, & Zinkhan, 2002), and the need for interaction (Monswu, Dellaert, & Ruyter de, 2004) which are the values of indulgent societies, are positively related to online shopping (Bosnjak et al., 2007). Based on these rationalizations we argue the following:

**Hypothesis 6.** Consumers in countries with higher indulgence are more likely to make a purchase through an online channel as compared to an offline (telephone) channel.

#### 4. Data and methods

##### 4.1. Data

We obtained the data used in this study from one of the largest multinational firms selling PCs through online and offline (telephone) channels in eight countries in the Asia-Pacific region (Australia, China, Hong Kong, India, Japan, South Korea, Malaysia, New Zealand, and Singapore). The data set records weekly sales through both online and offline channels in these eight countries. It also includes the number of telephone calls made to the company for the purchase of PCs and the actual purchases made through these calls along with the number of visits to the company's online store and the actual purchases made through the company's online store. Therefore, we were able to calculate the sales conversion rate through telephone calls and online store visits. The data period was one year, starting from the first week of August 2007 to August 2008.

In the above period, the company was selling its products mainly through online and telephone channels. On average, the company received 2968 calls and 109,284 visits to its online store each week. The numbers of calls and online store visits for each country are listed in Table 1. In the data, Australia and New Zealand are considered as one region, and the online sales data for India are missing from the original data set. Therefore, there are eight countries for online sales and seven countries for offline sales. For online sales, the company receives the highest number of online store visits in Japan (322,417 visits per week), followed by China, Australia/New Zealand, Korea, Malaysia, Hong Kong, and Singapore. For offline sales, the company attracts the highest number of calls in China (12,587 calls per week), followed by India, Japan, Australia/New Zealand, Malaysia, Hong Kong, Korea, and Singapore. This pattern is interesting. It shows that Japanese consumers are more likely to visit the online store to make a purchase than to call a sales representative. Although the company receives the second-largest number of visits to its online store in China, given the size of the Chinese market, this is not a significantly large number. However, the

**Table 1**

Number of weekly calls and online store visits by channel and country.

Channel and country	Mean	SD	Min	Max
Online	109,284	123,132	9433	570,827
China	260,646	34,360	190,405	343,550
Hong Kong	23,225	3088	17,446	32,434
Japan	322,417	79,778	215,266	570,827
Korea	27,412	7338	15,902	41,248
Malaysia	26,886	3334	18,314	39,844
NZ/AUS	86,746	8975	64,868	102,830
Singapore	17,657	12,046	9433	54,824
Offline	2968	4024	73	19,109
China	12,587	2899	4300	19,109
Hong Kong	442	121	141	682
India	3511	1264	1323	5581
Japan	2945	915	1552	4936
Korea	403	155	73	729
Malaysia	801	238	441	1357
NZ/AUS	2791	506	1487	3851
Singapore	223	73	102	366

number of sales-related calls received in China is much higher than the ones received in other regions. Chinese consumers are more likely to talk to the company's representative than to visit its online store. More than half of the sales-related calls the company receives each week are from Chinese consumers. The number of calls in China dropped slightly during this period, but the number of online store visits remained the same (see Fig. 1a and b).

The sales conversion rates are shown in Table 2. As shown in the table, a telephone call is more likely to be turned into an order (53.07%) than an online store visit (1.45%). For the online conversion rate, the ranking is as follows: Australia/New Zealand, Malaysia, Japan, Hong Kong, Singapore, Korea, and China. The ranking for the offline conversion rate is as follows: Malaysia, Korea, Australia/New Zealand, Hong Kong, Japan, China, and India. In terms of variance, the top 3 countries for the online conversion rate are Malaysia, Australia/New Zealand, and Singapore, and the top 3 countries for the offline conversion rate are Malaysia, Hong Kong, and Korea. The conversion rates for online and offline channels were also relatively stable over time (see Fig. 2a and b).

We obtained the scores of power distance, uncertainty avoidance, individualism, masculinity, and long-term orientation for these regions from Hofstede et al. (2010); see Table 3). We included country-level demographic and economic data as control variables. The data about the gross national income (GNI) per capita, consumer price index, population, and unemployment rate were obtained from the World Bank. To control for the role of digital commerce in these economies, we collected information about e-commerce in these regions (i.e., percentage of online shoppers) using sources such as government websites and Nielsen reports. We also considered other relevant control variables such as Internet penetration and telephone penetration. However, these two variables are highly correlated with other control variables. Therefore, we did not include them in our analysis.<sup>2</sup>

##### 4.2. Empirical model

Multiple regression models were used to analyze the data. The dependent variable was the sales conversion probability of a sales call or online store visit ( $CR_{kw}$ ) in region  $k$  in week  $w$ . We used the ratio of the number of orders and the number of total calls (for the offline channel) or the number of online visits (for the online channel) to measure the probability of the sales conversion. We used the following multiple

<sup>2</sup> We also ran regressions with these two control variables: internet penetration and telephone penetration. The inclusion of these variables caused the variance inflation factor to be really high, ranging from 12.39 to 109.62.

a

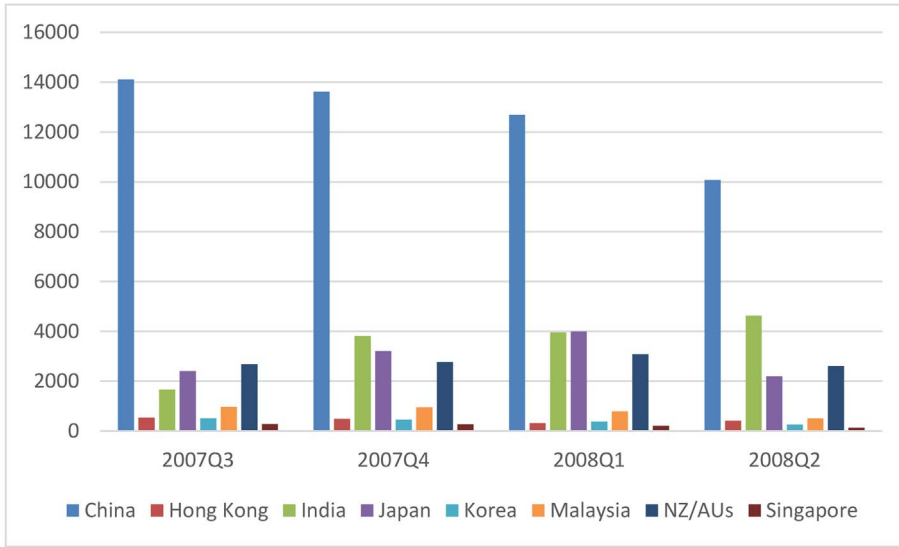


Fig. 1. a: Number of sales-related calls across regions and times.  
b: Number of visits to the online store across regions and times.

b

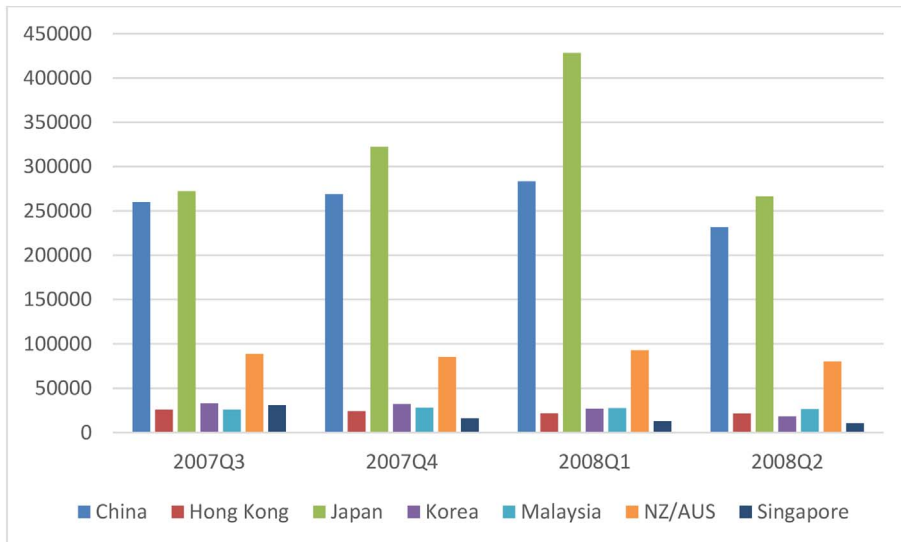


Table 2  
Sales conversion rate by channel and region.

Channel and region	Mean (%)	SD	Min (%)	Max (%)
Online	1.45	0.59	0.20	3.20
China	0.80	0.25	0.28	2.10
Hong Kong	1.27	0.24	0.59	1.80
Japan	1.80	0.32	1.07	2.65
Korea	1.01	0.18	0.49	1.32
Malaysia	1.87	0.40	1.27	3.20
NZ/AUS	2.32	0.30	1.77	3.06
Singapore	1.10	0.38	0.20	1.77
Offline	53.07	14.69	17.20	98.63
China	43.70	7.42	21.80	59.90
Hong Kong	54.00	12.55	25.80	89.25
India	33.51	7.70	17.20	49.21
Japan	52.80	10.01	31.69	74.77
Korea	60.55	11.81	44.52	91.78
Malaysia	70.96	12.88	46.60	98.63
NZ/AUS	59.98	4.84	48.92	72.85
Singapore	49.39	11.64	25.90	89.00

regression:

$$CR_{kw} = COL_{kw} + \beta_1 PD_k + \beta_2 UA_k + \beta_3 IDV_k + \beta_4 MAS_k + \beta_5 LTO_k + \beta_6 IND_k + \epsilon_{kw} \quad (1)$$

$$COL_{kw} = \alpha + \mu COLV_{kw}, \quad (2)$$

where  $PD_k, UA_k, IDV_k, MAS_k, LTO_k, IND_k$  are the scores for power distance, uncertainty avoidance, individualism, masculinity, and long-term orientation in the region  $k$ , respectively.  $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5,$  and  $\beta_6$  are the coefficients for these six cultural factors, which are used to check the hypotheses.  $\epsilon_{kw}$  is the error term with mean 0 and variance  $\sigma_\epsilon^2$ .  $COLV_{kw}$  is the control vector and includes several control variables: the GNI per capita, consumer price index, population, unemployment rate, and e-commerce.

We ran separate regressions for online and telephone channels. For each channel, we had six models. To make the models for online and telephone channels comparable, the dependent variable was divided by the mean conversion rate in the channel (see Table 4 for the description of the variables).

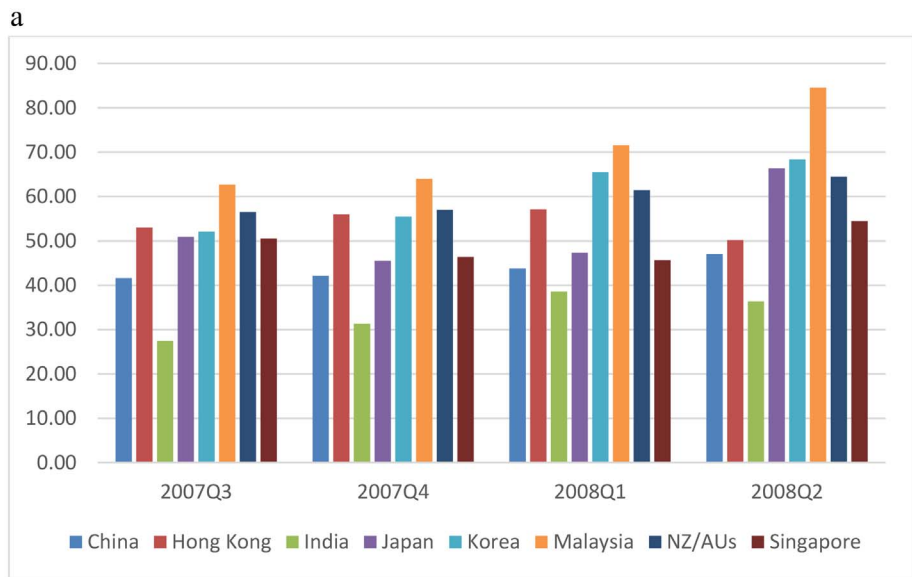


Fig. 2. a: Offline conversion rates across regions and times. b: Online Conversion Rates Across Regions and Times.

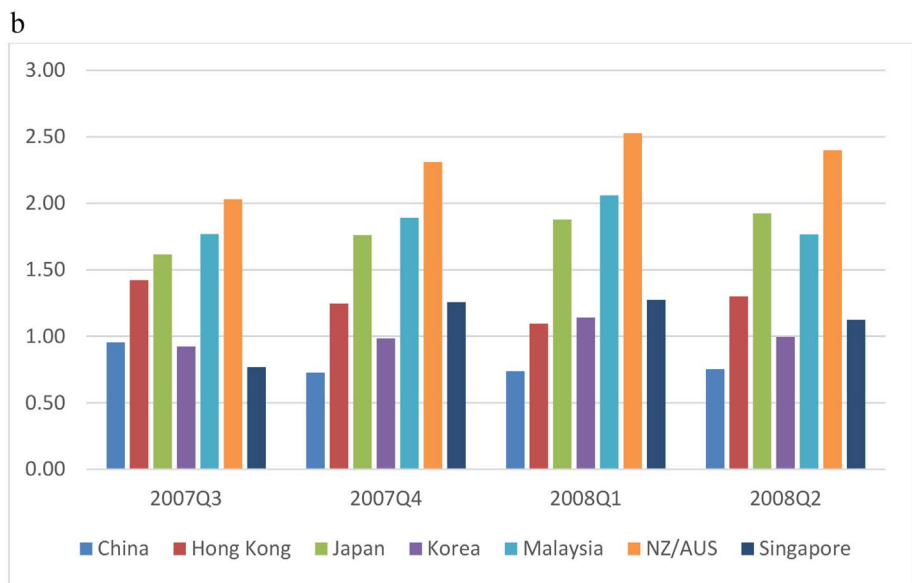


Table 3 Hofstede et al.'s (2010) cultural dimension scores.

Region	Power distance	Uncertainty avoidance	Individualism	Masculinity	Long-term orientation	Indulgence
China	80	30	20	66	118	24
Hong Kong	68	29	25	57	96	17
India	77	40	48	56	61	26
Japan	54	92	46	95	80	42
Korea	60	85	18	39	75	29
Malaysia	104	36	26	50	N/A	57
Singapore	74	8	20	48	48	46
NZ/AUS	29	50	84.5	59.5	30.5	73

5. Results

The results for the six models relating to the online and telephone channels are presented in three separate tables (i.e., Tables 5, 6, and 7). We present the independent effect of each of the cultural dimensions on the selection of online channels (Table 5), selection of offline channels (Table 6), and selection of online channels as compared to offline channels (Table 7). Model 1 was used to test Hypothesis 1, which

relates to the impact of power distance on consumers' online and telephone purchase behaviors. The results in Table 5 show that power distance has no significant impact on purchases made through online channels ( $B = 0.111, p > 0.05$ ). To check the difference of the impact of power distance on online and telephone channel purchases, we calculated the difference of the coefficients for power distance in the online and telephone models. The results are shown in Table 7. The difference of these two coefficients for online and telephone models was

**Table 4**  
Variables used in the analysis.

Variable	Description
<b>Dependent variables</b>	
Offline conversion rate (CR <sub>k,w</sub> )	Conversion probability of a sales call for the offline channel/the mean conversion rate of the offline channel.
<b>Key independent variables</b>	
Power distance (PD <sub>k</sub> )	The degree to which the less powerful members of a society accept and expect that power is distributed unequally.
Uncertainty avoidance (UA <sub>k</sub> )	The degree to which the members of a society feel uncomfortable with uncertainty and ambiguity.
Individualism (IDV <sub>k</sub> )	Defined as a preference for a loosely knit social framework in which individuals are expected to take care of only themselves and their immediate families. In contrast, collectivism refers to a preference for a tightly knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty.
Masculinity (MAS <sub>k</sub> )	Defined as a preference in society for achievement, heroism, assertiveness, and material rewards for success. In contrast, femininity is defined as a preference for cooperation, modesty, caring for the weak, and quality of life.
Long-term orientation (LTO <sub>k</sub> )	Defined as a preference to take a more pragmatic approach: they encourage thrift and efforts in modern education as a way to prepare for the future. In contrast, short-term orientation is defined as a preference to maintain time-honored traditions and norms while viewing societal change with suspicion.
Indulgence (IND <sub>k</sub> )	In the business context, this dimension is referred to as “(short term) normative versus (long term) pragmatic”. In the academic environment, the terminology “Monumentalism versus Flexhumility” is sometimes also used. Defined as how likely the gratification of basic and natural human drives related to enjoying life and having fun is allowed in a country. In contrast, restraint is defined as how likely the gratification of needs is suppressed and regulated by means of strict social norms.
<b>Control variables</b>	
E-commerce	The percentage of Internet users who shop online
Gross national income (GNI) per capita	GNI per capita for the regions in the analysis converted to U.S. dollars using the World Bank Atlas method and divided by the midyear population. To smooth fluctuations in prices and exchange rates, a special Atlas method of conversion is used by the World Bank.
Consumer price index	Inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services.
Population	Based on the de facto definition of population, which counts all residents regardless of legal status or citizenship.
Unemployment rate	The share of the labor force without work but available for and seeking employment.

**Table 5**  
Online channel.

Variables	(1)	(2)	(3)	(4)	(5)	(6)
E-commerce	56.48*** (10.07)	118.8*** (12.05)	14.09* (8.182)	40.46*** (8.620)	31.48*** (7.648)	5.916 (8.011)
GNI per capita	- 0.00169*** (0.000207)	- 0.00246*** (0.000191)	- 0.00141*** (0.000158)	- 0.00199*** (0.000178)	0.000508* (0.000278)	- 0.000876*** (0.000164)
Consumer prices	- 0.364 (0.896)	- 5.002*** (1.041)	- 0.294 (0.769)	2.881*** (1.061)	- 1.394* (0.820)	- 1.124 (0.742)
Population	- 9.86e - 08*** (5.67e - 09)	- 1.09e - 07*** (5.44e - 09)	- 6.08e - 08*** (5.93e - 09)	- 1.10e - 07*** (5.89e - 09)	- 1.72e - 08** (7.60e - 09)	- 5.91e - 08*** (5.60e - 09)
Unemployment	73.13*** (5.428)	81.62*** (4.321)	21.11*** (5.815)	58.62*** (4.763)	58.65*** (3.550)	49.67*** (3.951)
Power distance	0.111 (0.134)					
Uncertainty avoidance		- 0.614*** (0.0828)				
Individualism (vs. collectivism)			1.102*** (0.0994)			
Masculinity (vs. femininity)				0.766*** (0.146)		
Long-/short-term orientation					- 0.559*** (0.0699)	
Indulgence (vs. restraints)						1.096*** (0.0862)
Constant	- 131.1*** (29.62)	- 112.4*** (14.28)	29.34 (18.23)	- 111.1*** (14.79)	- 98.88*** (17.18)	- 89.75*** (12.78)
Observations	350	350	350	350	300	350
R-squared	0.564	0.623	0.678	0.595	0.733	0.703

Standard errors in parentheses.

- \*\*\*  $p < 0.01$ .
- \*\*  $p < 0.05$ .
- \*  $p < 0.1$ .

negative but insignificant ( $DIF = 0.111 - 0.145 = -0.034, p > 0.1$ ). Therefore, **Hypothesis 1** was not supported.

Model 2 was used to test **Hypothesis 2**, which relates to the impact of consumers' uncertainty avoidance on their online and telephone purchase behaviors. The results in **Table 5** show that uncertainty avoidance had a significant negative impact on purchases made

through the online channel ( $B = -0.614, p < 0.01$ ). In **Table 7**, the difference between the online and telephone coefficients was also negative and significant ( $DIF = -0.614 - 0.061 = -0.675, p < 0.01$ ). The results suggest that in countries with high uncertainty avoidance, consumers are less likely to make a purchase through an online channel as compared to a telephone channel. Therefore, **Hypothesis 2** was



**Table 6**  
Offline (telephone) channel.

Variables	(1)	(2)	(3)	(4)	(5)	(6)
E-commerce	16.76** (7.222)	4.570 (9.477)	26.04*** (6.824)	7.994 (6.375)	32.42*** (6.740)	9.308 (6.784)
GNI per capita	- 0.00122*** (0.000152)	- 0.00126*** (0.000152)	- 0.00147*** (0.000133)	- 0.00139*** (0.000136)	- 0.000864*** (0.000238)	- 0.00129*** (0.000144)
Consumer prices	0.877 (0.612)	1.355* (0.786)	1.127* (0.599)	1.759** (0.773)	1.665** (0.689)	0.907 (0.613)
Population	- 6.64e - 08*** (4.08e - 09)	- 6.53e - 08*** (4.24e - 09)	- 7.53e - 08*** (4.44e - 09)	- 6.95e - 08*** (4.44e - 09)	- 6.05e - 08*** (6.65e - 09)	- 6.46e - 08*** (4.94e - 09)
Unemployment	22.20** (3.845)	17.79*** (3.376)	33.07*** (4.355)	15.76*** (3.588)	18.18*** (3.031)	18.06*** (3.411)
Power distance	0.145 (0.0983)					
Uncertainty avoidance		0.061 (0.0663)				
Individualism (vs. collectivism)			- 0.331*** (0.0723)			
Masculinity (vs. femininity)				0.203* (0.113)		
Long-/short-term orientation					0.289** (0.0531)	
Indulgence (vs. restraints)						0.049 (0.0761)
Constant	47.76** (21.00)	74.59*** (10.89)	33.33** (13.89)	74.17*** (10.85)	30.29** (13.99)	74.77*** (10.92)
Observations	399	399	399	399	350	399
R-squared	0.472	0.470	0.496	0.473	0.424	0.469

Standard errors in parentheses.

\*\*\*  $p < 0.01$ .

\*\*  $p < 0.05$ .

\*  $p < 0.1$ .

supported.

Model 3 was used to test **Hypothesis 3**, which relates to the impact of individualism on consumers' online and telephone purchase behavior. The results in **Table 5** show that individualism has a significant positive impact on purchasing through online channels ( $B = 1.102$ ,  $p < 0.01$ ). In **Table 7**, the difference between the coefficients for individualism in the online and telephone models was also positive and significant ( $DIF = 1.102 + 0.331 = 1.433$ ,  $p < 0.01$ ). The results suggest that the higher the individualism, the more likely consumers will be to make a purchase through the online channel as compared to the telephone channel. Thus, **Hypothesis 3** was supported.

Model 4 was used to test **Hypothesis 4**, which relates to the impact of masculinity on consumers' online and telephone purchase behavior. The results in **Table 5** show that individualism has a significant positive impact on purchases made through an online channel ( $B = 0.766$ ,  $p < 0.01$ ). To check the impact difference, we calculated the difference and its statistical significance. In **Table 7**, the difference between the coefficients for individualism in these two models was positive and significant ( $DIF = 0.766 - 0.203 = 0.563$ ,  $p < 0.01$ ). The results suggest that in a region with high masculinity, consumers are more likely to make a purchase through an online channel rather than through the

telephone. Thus, **Hypothesis 4** was supported.

Model 5 was used to test **Hypothesis 5**, which relates to the impact of consumers' long-term orientation on their online and telephone purchase behavior. The results in **Table 5** show that long-term orientation has a significant negative impact on purchases made through an online channel ( $B = -0.559$ ,  $p < 0.01$ ). In **Table 7**, the difference between the coefficients for long-term orientation in these two models was negative and significant ( $DIF = -0.559 - 0.289 = -0.848$ ,  $p < 0.01$ ). The results suggest that in countries with long-term orientation, consumers are less likely to make a purchase online as compared to through a telephone channel. Therefore, **Hypothesis 5** was supported.

Model 6 was used to test **Hypothesis 6**, which relates to the impact of the indulgence in a region on consumers' online and telephone purchase behavior. The results in **Table 5** show that indulgence has a significant positive impact on purchases made through the online channel ( $B = 1.096$ ,  $p < 0.01$ ). In **Table 7**, the difference between the coefficients for the indulgence in these two channels was positive and significant ( $DIF = 1.096 - 0.049 = 1.047$ ,  $p < 0.01$ ). The results suggest that in countries with high indulgence, consumers are more likely to make a purchase online rather than through the telephone.

**Table 7**  
Significance test results for the differential impact of cultural dimensions on consumers' online over offline (telephone) channel selection.

Variables	(1)	(2)	(3)	(4)	(5)	(6)
Power distance	- 0.034					
Uncertainty avoidance		- 0.675***				
Individualism (vs. collectivism)			1.433***			
Masculinity (vs. femininity)				0.563***		
Long-/short-term orientation					- 0.848***	
Indulgence						1.047***
Chi-square (1)	0.05	42.02	162.99	10.93	88.13	89.79

Standard errors in parentheses.

\*\*\*  $p < 0.01$ .

Therefore, [Hypothesis 6](#) was supported.

The results for the control variables are also shown in [Tables 4 and 5](#). Most of them had a significant impact on the dependent variables.

## 6. Discussion

This study examined the impact of culture on the selection of retail channels in a multichannel environment in eight Asian Pacific countries. Departing from the previous literature, which is mostly confined to the impact of culture on a purchase intention from a particular retail channel (e.g., online), this study focused on actual purchase through an online retail channel as compared to a telephone retail channel. Our results suggest that in the Asia-Pacific region, countries with long-term orientation and high uncertainty avoidance are less likely to make a purchase through online channels as compared to telephone channels. Countries with high individualism, high masculinity, and high indulgence are more likely to select online channels as compared to telephone channels. In the case of countries with high power distance, we did not find a significant impact with regard to the channel used.

The results provide important insights into the variety of consumer behaviors within the Asia-Pacific region, which improves our understanding of the role of culture on consumer behavior in the context of retail channel selection. First, the Asia-Pacific region is an economically and socio-culturally diverse region that is home to the world's two largest emerging markets (China and India) as well as developed (e.g., Australia, New Zealand, Japan, and South Korea) and many developing countries. Socio-cultural diversity is evident as Australia and New Zealand are more individualistic and China and Malaysia are collectivistic countries. The region is undergoing substantial transformation in terms of its rapid economic growth and adoption of new technology. However, our results suggest that culture continues to play a major role in explaining consumer behavior related to retail channel selection. The region's rapid economic growth has not led to homogenization in consumer behavior. This finding led us to focus beyond economic development and adopt the role of culture as an important criterion to understand consumer behavior in the context of retail channel selection. Prior studies have demonstrated the role of culture in consumption patterns, product ownership, branding, and advertising between Western and Eastern countries ([De Mooij & Hofstede, 2011](#)). This study complements them by examining the role of culture in channel selection within a particular region. Second, the findings in the individual cultural dimensions suggest that even if an online channel provides convenience, ease of use, and enjoyment, our study has demonstrated that the relationship is not straight forward. In countries with high uncertainty avoidance and a long-term orientation, consumers are still skeptical about using online channels. This could be due to several reasons. For example, despite the improvement of security features in terms of payment through online channels, consumers in these cultures still prefer personal interactions with sales personnel for channel selection. However, consumers from individualistic, masculine, and high indulgence cultures are comfortable using online channels. Therefore, there is a need to focus on these dimensions independently to understand cultural differences to understand consumer behavior in this region. Finally, although there has been a significant amount of literature on consumers' multichannel selection behavior, our study fills the gap by incorporating the impact of culture on retail channel selection in actual purchase decisions as compared to previous studies, which examined the role of culture on consumer purchase intention. Therefore, this study complements prior studies on the topic by providing a robust understanding of the impact of culture on retail channel selection.

## 7. Practical implications

Our findings provide relevant and important implications especially for MNEs. MNEs usually operate in multiple countries and regions, including both emerging and developed markets. Because of the cross-

national complexity in doing business, MNEs need advice on how to operate in culturally diverse regions, especially on how to distribute their products and form multichannel distribution strategies. We based our conceptual framework on cross-national differences in culture and their impact on the selection of online channels over telephone channels. We empirically tested the framework using data from an MNE that operates in eight countries in the Asia-Pacific region, including culturally diverse emerging and developed markets. Our results suggest that firms should not design their multichannel strategies just based on emerging vs. developed markets or Western vs. Eastern cultures. MNEs need to dig deeper into the specific dimension of culture to understand consumer behavior. For example, although China and India are both emerging markets and dominated by Eastern cultures, they are different in terms of individualism and long-term orientation. Therefore, MNEs should adjust their multichannel strategies based on specific cultural differences when they compete in these markets.

## 8. Limitations

Although this study highlights the impact of cross-cultural variation on the selection of online channels for purchasing as compared to telephone channels in the Asia-Pacific region, the findings should be interpreted with some caution. First, we have conceptualized sales through the telephone channel as an offline channel as opposed to prior studies, which have used sales through brick-and-mortar stores as a proxy for offline channels. Second, the sample used in this study is almost a decade old because of the unavailability of recent data on actual purchases. Although this may restrict the generalizability of our results, we believe that the implications of these results will still be useful, as a number of companies use telephone channels together with online channels to serve their consumers. Third, while prior studies have examined the interaction effects of some of the six cultural dimensions (e.g., individualism and uncertainty avoidance; [Lim et al., 2004](#)), we only measured the direct effects of the cultural dimensions. Future studies can examine the interaction effects to advance the role of culture in online channel adoption. Fourth, while [Hofstede et al.'s \(2010\)](#) dimensions of cross-cultural variations are used extensively in marketing literature, there are some criticisms of these dimensions ([Venaiik & Brewer, 2013](#)). Given that these dimensions are used in prior studies to demonstrate the difference between Eastern and Western cultures, we believe that by focusing on these cultural variables within Asia-Pacific region, our study will confirm the robustness of earlier studies. As such, the countries in our sample provide enough variance in the scores of different cultural dimensions within the Asia-Pacific region.

## 9. Conclusion

In conclusion, this study demonstrates the impact of cross-national variation in culture on the selection of online channels as compared to telephone channels in eight Asia-Pacific countries. We found that countries with high uncertainty avoidance and long-term orientation are less likely to select online channels, and countries with high individualism, masculinity, and indulgence are more likely to adopt online channels as compared to telephone channels in eight countries in the Asia-Pacific region. The study findings emphasize the persistent impact of culture on consumer behavior in the context of selecting retail channels in a multichannel environment.

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