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# Online Growth Options for Retailers: Three Essays on Domestic and International Growth Strategies with Online Retailing

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BOOK REVIEW

Schu, Matthias. (2017). **Online Growth Options for Retailers: Three Essays on Domestic and International Growth Strategies with Online Retailing**. Wiesbaden, Germany: Springer Gabler Verlag. 136 pp. $69.99 ISBN: 978-3-658-18214-4



The importance of e-commerce has reached unprecedented levels. E-commerce has become an established avenue for many companies. Some companies use e-commerce as an additional channel, whereas others are completely electronic retailers. Moreover, the availability of digital options has substituted physical products like books, music, and media. These dramatic transformations have reshaped entire industries. In some industries, electronic intermediaries have completely replaced traditional intermediaries.

Companies engaged in e-commerce have the option of operating in a local market or even reaching untapped potential markets across the world. The identification of new prospective international markets requires an in-depth analysis of the potential opportunities and risks. For decades, multinational corporations operating traditional retail stores have operated in international markets, and there is a vast literature in this area.

The author of the book "Online Growth Options for Retailers" contributes thought-provoking viewpoints to this critical topic. The book is structured as follows: Chapter 1 is the introduction, Chapter 2 describes a study on new ventures, and Chapter 3 is a study on country selection. Chapter 4 presents a study on the timing of globalization and, finally, Chapter 5 recaps the results.

Dr. Schu's innovative study shatters the myth that an e-commerce channel automatically opens the window to the world and provides the potential to reach many markets. The factors that determine entrance into new markets for traditional channels are practically the same factors in the case of e-commerce channels. However, Dr. Schu also argues that the process and implications for e-commerce retailers entering new global markets are unique in many ways.

In the first section, the author defines some key terms such as retailers and wholesale. The chapter includes a comprehensive summary of the existing literature, an extension from a study by Swoboda, listing 24 recent studies in this area. The chapter includes a table with the methodology, theory, and core findings for each study. The next section summarizes 27 studies on the topic of speed of foreign market entry and addresses one of the key research questions: what determines the intention of a retailer to start selling online (i.e., venture into a new e-commerce channel)?

The study is based on the classic, well-established theory of acceptance model (TAM), which includes the perceived usefulness and perceived ease of use. Although TAM was intended to model individual decision making, Dr. Schu justifies the use of TAM in this research on the grounds that previous researchers have said that selections in companies are in many cases made by individual decision makers. He concludes that the complexity of the technology (or ease of use) is not as important as the potential expected benefits.

The next theory used is neo-institutionalism. This theory states that firms are pressured to adopt and mimic practices adopted by competitors. By combining these two theories, Schu proposed four factors: usefulness, ease of use, voluntary imitation (mimetic isomorphism), and peer pressure (coercive isomorphism). Dr. Schu created new instruments to measure these last two constructs. His proposal is that firms enter e-commerce not just because of a rational decision-making process, but also because of pure peer pressure and the urgency to imitate. Of the two, voluntary imitation is more effective than coercion. In the model, Dr. Schu also proposes that market relevance and customers' expectations influence usefulness. He also proposes that business knowledge, external support, and technological resources influence ease of use. Results show that the availability of technological resources increases the perceived usefulness.

The author did an excellent job identifying the limitations of the studies and proposing avenues for future research to address the limitations. Some of these limitations are related to the fact that the studies only included small businesses in Germany. The potential sample is based on more than 5,000 small German retailers and the methodology used is structured equation modeling.

The next chapter focuses on global market selection. This topic is about selecting a country for a new market. It answers the question: how do online retailers select which countries to enter? The decision involves analyzing information about potential markets. Surprisingly, the author says "use of existing theories to explain how firms choose international markets is scarce." One common approach is to consider country macroeconomic data. Other approaches take into account cultural distance and geographic distance. According to the results, the determinants to enter a new e-commerce market are similar to the ones for entering a new market with traditional stores. These factors are market size, cultural distance, geographical distance, knowledge of the market, and favorable legislation and government environment. Dr. Schu also discusses how even in e-commerce, geographical distance still matters. Closer markets are still preferred over distant markets because of the related transportation costs. With the exception of digitized products, physical products still need transportation. Dr. Schu considers both the distance to the home country and the distance to existing global markets. A potential large e-commerce market makes a country more attractive. Countries with a similar culture are also more attractive. Even in "borderless" electronic markets, cultural distance still matters. Moreover, the existence of traditional sales channels in a country makes it more attractive as a choice for an e-commerce channel.

The data for this study comes from "Internet Retailer's Rankings of Europe's 500 Largest Retailers" and World Bank databases. The selection of variables was very ingenious, but it could be argued whether the chosen variables are accurate predictors of the real constructs. Although some of the variable selections seem a bit stretched, it is understandable given the limited availability of secondary data.

Furthermore, this book is an outstanding example of the use of quantitative research methods. The data analysis and the statistical methods are rigorous and practically comprehensive. In the future, the results could be validated with future research based on case studies or interviews with executives from e-commerce retailers.

The book is a compilation of previously published works. This is probably the reason why some sections in the introductory chapter are repeated almost word for word. For instance, "the last 20 years have shown that TAM is a strong and robust model of technology acceptance behavior" appears on page 7 and 37.

Although the studies in this book are based on small German companies, many of the insights are relevant to companies in other markets. In conclusion, this book will offer valued insights to researchers and practitioners interested in the area of global e-commerce. It is a valuable resource for information technology managers and decision makers who are involved in entering new e-commerce markets.

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