So Far, Yet So Close.

An Examination of the Impact of Psychic Distance on Online Purchasing Behaviors of Consumers from five Countries

Authors: Audrey Fletcher, Martina Dietrich
Supervisor: Dr. Firouze Pourmand Hilmersson
Examiner: Dr. Richard Afriyie Owusu
Date: 24 May 2017
Subject: Business Administration - International Business Strategy
Level: Master Degree
Course: 4FE81E
Abstract

The phenomenon of psychic distance has been thoroughly researched regarding its influence on the internationalization patterns of firms into foreign markets. Psychic distance has been determined by a plethora of existing literature as an inhibitor to trade; however, much of this research only takes on the perspective of the firm. The construct of psychic distance has primarily been examined on the supply side, while a lack of literature exists examining the impact of psychic distance from the consumer’s perspective. Furthermore, the academic world has devoted little attention to applying the psychic distance construct to e-commerce, especially in terms of retail.

Due to the continuously rising significance of e-commerce, especially in terms of cross-border retail, understanding the way in which consumers perceive foreign international online vendors (IOVs) is essential to business success. This thesis contributes to the existing research regarding psychic distance, by seeking to answer the following research questions: “How do varying levels of perceived psychic distance impact the online purchasing behaviors of consumers?” and “How does the impact of perceived psychic distance on purchasing behaviors vary based on consumer’s nationality?”. To answer these questions, empirical data is collected through the conduct of five focus groups of varying nationalities, each either containing consumers of French, German, Swedish, Russian or Chinese nationality. The analysis of empirical data is built upon a theoretical foundation using the conceptualization of distance defined by Dow & Karunaratna (2006), consumer nationality and retailer country of origin (COO).

The findings of this thesis conclude that perceived psychic distance likely has somewhat of an influence on consumer online purchasing behaviors. However, factors such as development level of retailer COO, retailer COO familiarity, development level of consumer nationality, and consumer ethnocentrism have more measurable impacts on the purchasing behaviors of consumers in the online retail context.

Keywords: Psychic Distance, E-Commerce, Consumer Ethnocentrism, Online Retail, Consumer Nationality, Country of Origin, Country Development
Statutory declaration

“We declare in lieu of an oath that we have written this Master Thesis ourselves and that we have not used any sources or resources other than stated for its preparation. We further declare that we have clearly indicated all direct and indirect quotations. This Master Thesis has not been submitted elsewhere for examination purposes.”

Date: 24 / May / 2017

__________________________  _______________________
Audrey Fletcher             Martina Dietrich
Acknowledgements

The experience of writing a scientific research paper has proven to be a valuable challenge, from which takeaways will benefit us in our future endeavors, both academically and professionally. The task of understanding and combining complex theories, utilizing our networks to gather empirical data, and applying theories to real-life phenomenon was an undertaking from which our knowledge has grown immensely.

We would like to thank our examiner Dr. Richard Afriyie Owusu and our supervisor Dr. Firouze Pourmand Hilmersson for their feedback and constructive criticism that have taught us to think critically about our writing and ideas, as well as their dedication to challenging us to continuously improve. Furthermore, we would like to thank our peers both within and external to the International Business Strategy Master’s Programme, especially those who have acted as opponents, for their dedication to helping us along this journey of thesis writing!

Over 34 students of Linnaeus University, representing of many different nationalities, contributed their valuable time and insights to help us gather the empirical data necessary to write this thesis. These students did so by either opening their networks to us, or directly contributing to the empirical data collected by participating in our focus groups. The openness and generosity that have been shown to us in our academic endeavors by the students of our university are sincerely appreciated.

Finally, we would like to express our gratitude to our families spanning across Asia, Europe, Australia and North America for supporting us during this time of studying abroad in the beautiful country of Sweden.

Thank you all sincerely!

Audrey Fletcher & Martina Dietrich
“All our knowledge has its origins in our perceptions.”
- Leonardo da Vinci
Table of Contents

Abstract........................................................................................................... II

Statutory declaration .................................................................................. III

Acknowledgements....................................................................................... IV

Table of Contents........................................................................................ VI

List of Tables................................................................................................ IX

List of Figures.............................................................................................. IX

1. Introduction .............................................................................................. I
  1.1 Background ............................................................................................ 1
  1.2 Problem Discussion .............................................................................. 2
  1.3 Research questions ............................................................................... 4
  1.4 Research Purpose ................................................................................... 4
  1.5 Thesis outline ....................................................................................... 5

2. Literature Review ...................................................................................... 6
  2.1 Globalization .......................................................................................... 6
  2.2 The Retail Sector .................................................................................. 6
  2.3 E-Commerce .......................................................................................... 7
  2.4 Online Internationalization ................................................................. 7
  2.5 Retailer Country of Origin ................................................................... 8
    2.5.1 COO Familiarity Construct ............................................................ 9
  2.6 Consumer Nationality .......................................................................... 10
    2.6.1 Nationality’s Influence on Information Technology/E-Commerce .... 10
    2.6.2 Developed vs. Developing Consumer Nationalities ....................... 11
    2.6.3 Consumer Ethnocentrism .............................................................. 12
  2.7 Psychic Distance ................................................................................... 13
    2.7.1 The role of Psychic Distance in Online Internationalization .......... 15
  2.8 Theoretical Framework ........................................................................ 16
3. Methodology ...................................................................................................................... 18
  3.1 Research Approach ...................................................................................................... 18
  3.2 Research Method ......................................................................................................... 19
  3.3 Research Strategy ........................................................................................................ 19
  3.4 Focus Group Design .................................................................................................... 20
    3.4.1 Consumer Nationality ......................................................................................... 20
    3.4.2 Retailer COO ......................................................................................................... 21
    3.4.3 Assessment of Perceived Psychic Distance ......................................................... 22
    3.4.4 Sampling ................................................................................................................ 23
  3.5 Respondent Profiles ..................................................................................................... 24
  3.6 Focus Group Implementation ....................................................................................... 25
    3.6.1 Operationalization of Concepts ............................................................................ 25
      3.6.1.1 Consumer Nationality .................................................................................... 26
      3.6.1.2 Perceived Psychic Distance ........................................................................... 27
      3.6.1.3 Retailer COO .................................................................................................. 28
  3.7 Data Collection ............................................................................................................ 29
  3.8 Data Recording ............................................................................................................ 30
  3.9 Data Analysis .............................................................................................................. 30
  3.10 Quality of Research ................................................................................................... 31
    3.10.1 Validity .................................................................................................................. 31
      3.10.1.1 Descriptive Validity ....................................................................................... 31
      3.10.1.2 Interpretive Validity ....................................................................................... 31
      3.10.1.3 Theoretical Validity ...................................................................................... 32
    3.10.2 Reliability ............................................................................................................. 32
  3.11 Ethical Considerations ............................................................................................... 33
4. Empirical Findings ............................................................................................................. 34
  4.1 Focus Group France ..................................................................................................... 34
    4.1.1 Consumer Nationality ......................................................................................... 34
    4.1.2 Perceived Psychic Distances ............................................................................... 35
    4.1.3 Retailer COO ......................................................................................................... 38
  4.2 Germany ....................................................................................................................... 39
    4.2.1 Consumer Nationality ......................................................................................... 39
    4.2.2 Perceived Psychic Distances ............................................................................... 40
4.2.3 Purchasing Preferences .......................................................... 43
4.3 Focus Group Sweden .................................................................. 44
  4.3.1 Consumer Nationality .......................................................... 45
  4.3.2 Perceived Psychic Distance .................................................. 46
  4.3.3 Influence of Psychic Distance on Preferences ...................... 48
4.4 Russia ....................................................................................... 48
  4.4.1 Consumer Nationality .......................................................... 49
  4.4.2 Psychic Distance ................................................................. 50
  4.4.3 Influence of Psychic Distance on Preferences ...................... 53
4.5 China ......................................................................................... 54
  4.5.1 Chinese Consumer Background .......................................... 54
  4.5.2 Perceived Psychic Distance ................................................ 55
  4.5.3 Purchasing Preferences ....................................................... 57
5. Analysis ...................................................................................... 59
  5.1 Consumer Nationality ............................................................. 59
    5.1.1 France, Germany and Sweden ........................................... 60
    5.1.2 Russia and China .............................................................. 60
  5.2 Perceived Psychic Distance ..................................................... 61
    5.2.1 France, Germany and Sweden ........................................... 62
    5.2.2 Russia and China .............................................................. 63
  5.3 Influence of Psychic Distance on Consumer Online Purchasing Behaviors .... 64
    5.3.1 France, Germany and Sweden ........................................... 64
    5.3.2 Inclusion of Developing Countries .................................... 67
  5.3.3 Russia and China ............................................................... 69
6. Conclusion .................................................................................... 72
  6.1 Answer to Research Questions ................................................. 72
    6.1.1 Research Question 1 ......................................................... 72
    6.1.2 Research Question 2 ......................................................... 73
  6.2 Theoretical Implications ......................................................... 73
  6.3 Managerial Implications ......................................................... 75
  6.4 Limitations .............................................................................. 76
  6.5 Suggestions for Future Research ............................................ 77

References ...................................................................................... 79
Appendix A: Psychic Distance Stimuli (Dow & Karunaratna, 2006) ................................i
Appendix B: Focus Group Participant Profiles .................................................. ii
Appendix C: Operationalization - Backpack ...................................................... vi

List of Tables

Table 1: Retailer COOs ......................................................................................... 22
Table 2: Respondent Gender and Age ................................................................. 24
Table 3: Operationalization of Concepts ............................................................. 26
Table 4: Perceived Distance Ranking of French Focus Group ............................. 36
Table 5: Perceived Distance Ranking of German Focus Group ......................... 41
Table 6: Perceived Distance Ranking of Swedish Focus Group ......................... 46
Table 7: Perceived Distance Ranking of Russian Focus Group ......................... 51
Table 8: Perceived Distance Ranking of Chinese Focus Group ......................... 56
Table 9: Overall Psychic Distances .................................................................... 62
Table 10: Psychic Distance vs. Purchasing Preferences (EU Countries) .............. 65
Table 11: Psychic Distance vs. Purchasing Preferences (Russia and China) ........ 69
Table 12: French Focus Group Participant Profiles .......................................... ii
Table 13: German Focus Group Participant Profiles .......................................... ii
Table 14: Swedish Focus Group Participant Profiles ........................................ iii
Table 15: Russian Focus Group Participant Profiles .......................................... iv
Table 16: Chinese Focus Group Participant Profiles .......................................... iv

List of Figures

Figure 1: Thesis Outline ...................................................................................... 5
Figure 2: Theoretical Framework ....................................................................... 17
Figure 3: Revised framework for developed countries ...................................... 74
Figure 4: Revised framework for developing countries ..................................... 75
1. Introduction

The introductory chapter sets the foundation for the thesis by providing the reader contextual background for the topic that will be explored. Starting with a background that illustrates the practical importance for this research, the introduction then flows into the problem discussion, which explains the research gap that this study addresses. Next, the research questions and the purpose are presented. The introduction chapter concludes with a brief description of this thesis’ structure.

1.1 Background

The Internet, a widely unknown concept even by academics in the early 1990s, has finally risen to worldwide prominence in the 2000s (Cairncross, 2001). The percentage of the world’s population on the Internet is continuously growing, and according to a UN report, it is projected that over half of the world’s population will be online by 2020 (United Nations, 2015). With the development of the Internet, came new businesses, communication tools, and ways of conducting commerce (Cairncross, 2001). The Internet has given its consumers to make purchases from anywhere in the world without needing to leave their homes. In fact, renowned academic Frances Cairncross has famously gone as far as to argue that the Internet has served to cause the “death of distance”, supporting this stance by citing multiple factors, including that the internet lowers barriers to entry for companies, “forces people to take on a global view”, and allows for consumers to be far more informed (p.40). The Cairncross’ argument regarding the “death of distance” has been hotly debated by researchers ever since she published The Death of Distance in 1997, including the works of Yong et al. (2003), Yamin and Sinkovics (2006) and Lendle et al. (2016).

E-commerce is a byproduct of the Internet, which has provided the platform to purchase, sell virtually. E-Commerce has continued to gain traction, and by 2020, Accenture (2016) predicts that 13.5% of consumption of consumers aged between the ages of 15 and 65 will be conducted over the Internet. It is interesting to assess whether Cairncross’ argument regarding the “death of distance” brought forth by the Internet is indeed true in the context of e-commerce. Indeed, in some facets, it is undeniable that the internet has reduced the importance of distance in the context of retail. No longer
constrained by the need for brick-and-mortar stores, consumers can make purchases from anywhere across the globe within the comfort of their own home, and expect delivery to their doorstep in a matter of days.

However, if the “death of distance” according to Cairncross is indeed an accurate description of the effect of the internet, it is worthy to note that in e-commerce has primarily been domestic (Accenture, 2016). To date, supply and demand in the online retail business have primarily originated within the same borders (Ibid.) With the Internet making it arguably just as easy for consumers to purchase domestically as internationally, it is relevant to uncover the factors that may be holding back consumers from internationalizing their purchasing behaviors. Johanson and Vahlne (2009) define psychic distance as “factors that make it difficult to understand foreign markets”, which as they argue, has an inhibiting impact on the internationalization patterns of companies, due to the “liability of foreignness” (p.1412). However, their works do not examine how this “liability of foreignness” impacts the internationalization of purchasing behaviors for consumers (Ibid.). Cross-border B2C e-commerce is expected to experience the most growth potential in the future, reaching a 29.3% compounded annual growth rate (CAGR) between 2014 and 2020 (Accenture, 2016). Therefore, the impact of psychic distance on the online purchasing behaviors of consumers is a relevant topic to examine.

1.2. Problem Discussion
According to Evans et al. (2008), expanding into distant geographies can prove to be a sound business choice for retail companies, as it often lowers direct competition, gives opportunities to differentiate and the chance to capitalize on a growing market. However, how these retail companies ultimately perform in other countries is dependent on the aggregate purchasing behaviors of the consumers of these markets. Safari et al. (2013) argue that psychic distance has a significant impact on the behaviors of consumers in the international retail setting. Consumers may display an aversion to international online retailers (IOVs) due to a lack of knowledge, which leads to a great uncertainty in buying products from these countries (Ibid.). Therefore, how consumer’s perceptions of psychic distance between their nationality and the retailer’s country of origin influences purchasing preferences is essential.
Much existing literature thoroughly explores the impact of psychic distance on a macro level, such as its influence on overall trade flows (Dow and Karunaratna, 2006; Håkanson, 2014). However, instead of directing their research efforts to the consumer, who as previously mentioned has a major influence on the retailer’s performance, most researchers focus on the companies themselves and examine how psychic distance impacts their internationalization and investment into other country markets. For example, in their creation of the Uppsala model, Johanson and Vahlne (2009) contributed a framework demonstrating the inhibiting influence of psychic distance on the internationalization patterns of firms. Another work includes that of Blomkvist and Drogendijk (2013), which examines how psychic distance influences the way in which Chinese firms decide to undertake FDI. Similarly, Ellis (2008) researched whether psychic distance influences the size and sequence to which Chinese firms internationalize. Child et al.’s (2002) work draws conclusions regarding the factors of psychic distance that offer the most “explanatory value for the internationalization patterns of Hong Kong firms”. Stallmann and Wegner’s (2014) work similarly takes on the firm's’ perspective, but offers the unique feature of revolving around the e-commerce context. The authors argue that the psychic distance construct is an important consideration for online businesses when selecting target markets (Ibid.).

The aforementioned works share one major similarity in that they uncover how psychic distance influences the way firms internationalize into other markets. These studies are a critical part of the equation in the examination of how psychic distance influences trade flows and investments between countries. However, the concept of psychic distance lacks thorough research on its influence on consumer behaviors, which are all also vital influencers of international trade flows. The limited existing research in this field is surprising, as companies should understand the impact of psychic distance of consumers within the markets expand in, as this can major implications regarding business success. In their work, Kilduff and Núñez Tabales (2016) stress the importance of not seeing the world population as one big homogeneous group but to recognize differences between nationalities.

In addition to the lack of research regarding psychic distance’s influence on the consumers, the research of psychic distance in regard to e-commerce is also very sparse. Currently, there have been only a few works that apply the psychic distance construct
to the virtual business world, including that of Yamin and Sinkovics (2006). However, the authors centered their study using the perspective of supplier-customer relationship (Ibid.). Thus, their work is not in the retail context, and therefore, does not pertain to the influence of psychic distance on the purchasing behavior of consumers.

One work that does examine the impact of psychic distance on the purchasing behaviors of consumers in the context of e-commerce is the work of Safari et al. (2013). Through the conduction of focus groups, the study uncovered that psychic distance indeed has an influence on the online purchasing behavior of consumers (Ibid.). Due to the exploratory nature of the study, the work of Safari et al. only examined the impact of psychic distance on Swedish consumers (Ibid). Safari et al. (2013) based discussions in the focus groups around international online vendors (IOVs) of Australian and Russian origin, of which one represented high geographic distance and low psychic distance, and vice versa. Because the consumers of only one country (Sweden) were examined, the results of the study are hardly generalizable, as consumers of varying nationalities can perceive online retail website differently (Chen et al., 2015).

1.3 Research questions
Based on the previous problem discussion, two research questions have been formulated. They are as follows:

1. “How do varying levels of perceived psychic distance impact the online purchasing behaviors of consumers?”
2. “How does the impact of perceived psychic distance on purchasing behaviors vary based on consumer’s nationality?”

1.4 Research Purpose
The purpose of this study is to examine how varying levels of perceived psychic distances will impact online purchasing behavior of consumers, and then compare these impacts across various consumer nationalities. The findings derived from the study will provide internationalizing or internationalized online retailers insights regarding how psychic distance influences the purchasing preferences of consumers. As the influence of psychic distance on purchasing preferences of consumers can significantly influence
business outcomes, the results may provide guidance to online retailers in formulating their international marketing strategies.

1.5 Thesis outline

Chapter 1: The background, problem discussion, research questions and research purpose are presented to the reader.

Chapter 2: Literature from academia that is relevant to the topic is presented. This chapter concludes with a theoretical framework that will serve as a foundation for the analysis of empirical data that will be gathered in the conduction of focus groups.

Chapter 3: The methodology chapter provides a theoretical backing for the research decisions taken in this study, which include the research approach, method and strategy. The design of the focus groups is clearly articulated, as well as the focus group operationalization. The chapter concludes with research quality and ethics considerations.

Chapter 4: Empirical data collected from the five focus groups that have been conducted will be presented.

Chapter 5: The empirical data of Chapter 4 will be analyzed and discussed in using the theoretical foundation and framework presented in Chapter 2.

Chapter 6: Conclusions of the thesis will be drawn based on the preceding chapter. Managerial implications of this thesis will be communicated, followed by limitations of this study and suggestions for future research.
2. Literature Review

The theoretical chapter reviews literature that is relevant to the topic at hand, and is comprised of seven sections. The literature review addresses globalization, the retail sector, e-commerce, online internationalization, retailer COO, consumer nationality and psychic distance. Finally, the most relevant theories are utilized in to create the theoretical framework that will guide the analysis of empirical data that is gathered in the following chapter.

2.1 Globalization

To discuss contemporary subjects such as psychic distance, e-commerce and internationalization, it is necessary to first understand the phenomenon that lead to their emergence: Globalization. Held et al. (1999) defines globalization as “a process (or set of processes) that embodies a transformation in the spatial organization of social relations and transactions, generating transcontinental or interregional flows and networks of activity, interaction, and power.” (p.483). This phenomenon affects individuals across the globe throughout all aspects of their lives, allowing emails to be almost immediately sent across the world, or for individuals to hold jobs that are dependent on geographically distant economies (Ibid.). Hence, globalization is expressed as the connections between different regions across the globe and the ways in which they change and increase over time (Ibid.). The globalization phenomenon has caused highly integrated markets across all continents, and as a result, as revolutionized the competitive environment in which firms operate (Moreno Badia et al., 2011). According to Bernatonyte and Normantiene (2009), the global trade environment three major changes in recent decades, which include the growth of value and volume, the composition of trade, and extensively liberalized trade flows.

2.2 The Retail Sector

Kent and Omar (2003) define the retail industry as the sector that comprises all business activities, which are related to selling goods and services directly to the final consumer. In the past, a shift from domestic orientation to internationally oriented business strategies have been observed in retail companies (Knezevic et al., 2011). The nature of the retail sector is in a state of transition, with an increasing number of clients of physical stores shifting to online shopping, a trend driven by superior selection, lower
prices, and increase convenience (Wu and Li, 2016). Until the 1980s, retailing was characterized primarily as a nationally based and fragmented industry, but in the following years, factors including the maturity and saturation of domestic markets, technological advances, geopolitical rebalancing and internationalization of financial markets has made foreign expansion an attractive strategy for many retailers (Evans et al., 2008). Dawson (2001) and Sandberg (2010) confirm this accelerating trend of the retail internationalization in their studies, in which they observed a rapid increase in various international activities of EU retailers. However, according to Evans et al. (2008), only few international retailers perform well in foreign markets, and through their research determined that psychic distance is a “significant driver of organizational performance and can be considered critical success factors in international retailing” (p.54).

2.3 E-Commerce

Online retailing, also known as e-commerce, is a phenomenon that has arisen since the introduction of the internet in 1991, which firms have utilized as a tool to revolutionize the way they do business (Chaffey, 2009). E-commerce, often too-narrowly described as solely financial transactions that occur over an online platform, refers in reality to the flow of all mediated transactions between a company and a third party (Ibid.). For example, the flow of information from a company to their customers regarding a product over the Internet falls under the broad umbrella of e-commerce. Because e-commerce has helped increase the availability of information for both the organization and their customers, some researchers have gone as far as to argue that it has served to render geographical distances as irrelevant (Grant and Bakhru, 2004). Cairncross (2001) identifies as one of the most distinct features of e-commerce its unprecedented ability to reach large numbers of people both quickly and cost effectively.

2.4 Online Internationalization

From an internationalization perspective, e-commerce plays a fundamental role. The term ‘online internationalization’ stands for the operation of business transactions across national boundaries, in which the ‘crossing’ of the border takes place in the virtual instead of the real or spatial world (Mahnke and Venzin, 2003). The marvel of e-commerce is its ability to overcome geographical and temporal barriers in order to
conduct cross-border business transactions, what allows firms to instantaneously ‘enter’ multiple foreign markets virtually by simply launching a website (Kotha et al., 2001).

There are some essential differences between online internationalization and the traditional internationalization process. Compared to the traditional way, the online approach takes place much more time-compressed. A study of the internationalization of US Internet portals revealed that market entries are generally very close to each other and only separated by days and weeks rather than years (Kim, 2003). To some, the existence of e-commerce is the epitome of internationalization, as it embodies the idea that international boundaries do not exist (Grant and Bakhru, 2004). However, this idea is argued by researchers such as Grant and Bakhru (2004), who say that e-commerce has failed to seamlessly ease international transactions across all borders in the world.

2.5 Retailer Country of Origin

According to Kilduff and Núñez Tabales (2016), each country holds a brand image, which influences perceptions of products that originate from that particular country in the global marketplace. Consumers take a product’s COO into consideration when assessing products, and how products of one COO are assessed by the consumer are found to vary based on “gender, age, and education” (p.100). The concept of COO has been examined by a wide variety of literature, including Bilkey (1993), whose work argued that COO influences consumers’ opinions in terms of the relative quality of goods or services produced in various countries. Hong and Wyer (1989) describe the COO as an extrinsic cue such as price and brand name when it comes to product evaluations. The researchers explain, that consumers use their perceptions of the COO of an unfamiliar brand to make inferences about lacking intrinsic cues, for instance the probable quality, performance and reliability (Ibid.). According to Hu and Checchinato (2015), COO “represents an extrinsic attribute of products, which is often used as quality cue and is aimed at stimulating positive associations between products and the country where they were originated and influence consumer judgement” (p.325).

The concept of COO has been broken down into multiple subgroups by literature, which include COB, COD and COM. While the COO refers to the country from which a
product or brand originates and from which it is associated, the country of manufacture (COM) is the country of final assembly or manufacture of a product (Saimee 1994, Thakor and Kohli 1996). However, with increasing globalization and outsourcing, products have increasingly become a hybrid of various manufacturing origins (Prendergast et al., 2010). Next, the country of brand (COB) is the country that a product's' brand name is associated with (Fetscherin and Toncar, 2009). A product’s country of designed (COD) is the country where it was designed, regardless of consumers’ perceptions (Hamzaoui and Merunka, 2006).

Discussions concerning the COO of a product always turn around the consumer, who interprets the product’s COO information and chooses whether to buy it (Kilduff and Núñez Tabales, 2016). One crucial consideration for companies, that promote their products and its origin abroad, is that each market reacts differently to COO cues and shows a different level of sensitivity when it comes to valuing the product based on the COO (Ibid.). To overcome emerging barriers and to create an effective nation brand, it is essential to recognize the differences between the perceptions of consumers of different geographical areas (Ibid.). Several studies, for instance by Nagashima (1970) and Smith (1997), confirmed that a COO image can be product-category-specific or it can be generalized to all goods and services produced in a given country. Moreover, Jaffe and Nebenzahl (2001) reveal in their studies, that the image of a country is not consistent in different sectors and can vary depending on the product. For instance, customers outside of France might value the country’s wine, but don’t share the same enthusiasm for French technology. At the same time, a Taiwanese person possibly prefers local technology but would nevertheless rather consume French wine (Ibid.).

2.5.1 COO Familiarity Construct
The work of Ahmed and d’Astous, examined how “explanatory factors like demographics, familiarity with a country’s products, purchase behavior and psychological variables” impact consumers’ COO perceptions (p. 75). The study argues that the familiarity construct is the most significant predictor of country perceptions (Ibid.). Ahmed and d’Astous found that China enjoys a positive COO image with consumers of Moroccan and Canadian nationality, which is likely attributable to its status of a significant exporter to North Africa and North America (Ibid.). Furthermore,
the authors theorize that because “China is often billed as a superpower”, this “projects an image of modernity that goes far beyond its present technological sophistication” (Ibid. p.98). Furthermore, Chuin and Mohamad (2012) found that consumers’ familiarity with brands are typically correlated with the brand’s COO. To illustrate, Malaysian students showed higher familiarity to European chocolate brands, due to associations of chocolate with European COOs (Ibid.). In turn, the Malaysian students studied consumed more European chocolate brands, at least partially attributable due to the familiarity construct. The previous works are in direct contrast with of Roth and Romeo (1992), who found that the familiarity construct when applied to country has no impact on the image perceptions. However, the researchers themselves noted that respondents of their study were all relatively familiar with the countries discussed, and therefore a higher variance in familiarity levels may have yielded different results (Ibid.).

2.6 Consumer Nationality

As stated in the previous section, the consumer is in the center of attention when it comes to analyzing the effects of a product’s COO. Kilduff and Núñez Tabales (2016) emphasize the importance of not considering consumers as a worldwide homogeneous group because “consumer reactions vary from country to country” (p.8), and these differences must be recognized to reach adequate research results. Several other researchers, including O’Shaughnessy and O’Shaughnessy (2000) and Fan (2005), refer to the differences between perceptions from one country to another, and point out the influence of the relationships that exist between nations on consumers’ behaviors and preferences. This argument is supported by Amine and Shin (2002), who also found empirical support for the varied willingness to purchase a product from foreign countries based on explanation. The researchers explain that people have the tendency to prefer goods from countries based on proximity and their knowledge of those countries (Ibid.).

2.6.1 Nationality’s Influence on Information Technology/E-Commerce

Through a thorough review of existing literature, Leidner and Kayworth (2006) uncovered that culture on a national level “play a common role in determining patterns of IT development, adoption, use, and outcomes” (p.381). Through this study, it was
found that national cultures can influence the way that information technologies are used differently (Ibid.). This finding was supported by Yoon (2009), who found “national culture values affect consumer acceptance of e-commerce”, by examining how Hofstede’s cultural dimensions impact e-commerce acceptance in China. Furthermore, Chen et al. (2014) determined through studying Thai and Taiwanese consumers that nationality identity and culture influences how quality of e-commerce websites are perceived. These works converge to indicate that interactions with online retail can vary significantly between countries.

2.6.2 Developed vs. Developing Consumer Nationalities
In their works, Okechuku and Onyemah (2000) as well as Costa et. al (2016), stress the important differentiation between developed and developing nationalities when researching the influence of a product’s COO on consumer product evaluations. Regarding developed countries, Wang and Lamb (1983) describe their preferences with the help of a hierarchy based on the country’s level of economic development. As researchers like Okechuku (1994) as well as Lumpkin and Crawford (1985) confirm, the population of developed countries tends to prefer products from their own countries the most, then products from other developed countries and the least products from less developed countries. Lumpkin and Crawford describe further that goods from nations that are positioned low in the hierarchy are perceived to be of lower quality than goods from countries higher positioned (Ibid.). Nevertheless, Hsieh (2004) explains that the COO concept is less significant to consumers of developing countries. Hsieh argues with the greater availability of international brands, the stronger efforts regarding product differentiation and that in these countries sufficient product attribute information is readily available (Ibid.). Furthermore, Häubl (1996) uncovered that there are no statistically significant differences in COO effects across consumers from developed countries, using Germany and France as examples.

According to Okechuku and Onyemah (2000), imported brands from nations with a strong COO reputation pose major challenges to brands of developing countries. The authors explain that across the globe, the willingness of customers to patronize domestic goods determines the success of a nation (Ibid.). However, consumers in developing economies perceive products from developed countries as more favorably
than domestic products (Ibid.). In their work, Jaffe and Martinez (1995) explain the generally weak image of domestic manufacturers among citizens of developing countries. This negative perception is attributable to increased exposure to the high-quality goods that are available to developed countries consumers through the Internet, television and generally improved communications (Ibid). Furthermore, Okechuku and Onyemah (2000) state that many nations of a lower economic level are limited in terms of their own domestic manufacturing industry. Hence, the product selection is often dominated by foreign brands, which the few available domestic goods get compared to. The researchers further elaborate, that these conditions contribute to a higher awareness and consideration of customers from developing nations regarding the COO of a product, than of customers originating in developed countries (Ibid.). Hsieh (2004) confirms that the influence of COO is higher on consumers of countries with a lower economic level, such as China and Russia. Additionally, the purchase of foreign-made products often represents a status and prestige symbol for developing country consumers, and are often characterized as "visible signs of achievement and success" (Okechuku and Onyemah, 2000, p. 9).

In summary, it can be concluded that prior research has shown that consumers from developed as well as from developing economies are likely to present prejudice against products originating from less developed countries. Both prefer products originating from developed markets due to the perceived higher quality in comparison to developing markets.

2.6.3 Consumer Ethnocentrism

Kilduff and Núñez Tabales (2016) describe the idea of “consumer ethnocentrism” in their work, which refers to the bias that a consumer has towards products from their home country. As Shimp and Sharma (1987) define it, consumer ethnocentrism is the “beliefs held by...consumers about the appropriateness, indeed morality, of purchasing foreign-made products” (p. 280). Studies regarding consumer ethnocentrism and national loyalty conducted by Bruning (1997) and Balabanis et al. (2001) stress the role of ethnocentrism in product evaluations. They reveal, that attitudes are affected by the sense of loyalty to one’s nation and to other macro-oriented groupings.
Different nationalities display varying levels of consumer ethnocentrism, especially in terms of their development level. According to Klein et al. (2006), developed countries are more ethnocentric than developing countries. The exception that was uncovered was China, which is a developing country that displayed similar levels of ethnocentrism as developed countries. The work of Durvasula et al (1997), found that the United States (a developed country) displays higher levels of consumer ethnocentrism than Russia. This is supported by the work of Puzakova et al. (2010), who found that developed countries have higher levels of consumer ethnocentrism than Russia.

These thoughts about the choice between a foreign and a domestic product lead to one major goal of country branding, namely to overcome the consumer’s tendency to prefer national over international products (Kilduff and Núñez Tabales, 2016). According to Klein (2002), consumer ethnocentrism needs to be distinguished from “international animosity”. This term describes the bias for or against products from a specific country (not the country themselves), and how it effects consumer’s purchasing decisions accordingly (Kilduff and Núñez Tabales, 2016). This is relevant, as it indicates that certain nationalities simply avoid purchasing from specific countries because they regard them with hostility, what differs greatly from a product choice based on a country’s general receptiveness to foreign products (Ibid.).

2.7 Psychic Distance

The concept of psychic distance is a complex one that lacks a singular prevailing definition used as a standard across academia. Many researchers have created their own framework or built upon another’s to clearly understand the complex concept. Therefore, the wide array of work regarding psychic distance that exists makes the process of distilling a broad idea into a concise framework for purpose research a relatively challenging task. According to Child et al. (2002), Beckermann first introduced the idea of psychic distance to the academic world in the 1956, and it was used as a term to highlight the vast differences between countries in terms of international business interactions. As Johanson and Vahlne (2009) theorize, psychic distance relates to the lack of knowledge about a foreign market, with factors such as language, laws and rules as contributing factors (p. 1416). Some other works pertaining to psychic distance include that of Kogut and Singh (1988), who consider psychic
distance to be in many ways synonymous to cultural differences. Additionally, a work by Child et al. (2002) argues that the concept of psychic distance should be explained within the framework of distance-compressing, distance-bridging and distance-creating factors. Another contribution of the author's work is its ability to yield research results that argue cultural factors have been far overemphasized in many previous works about psychic distance (Ibid.).

Dow and Karunaratna (2006) examined the factors of psychic distance previously brought forth by other researchers, and determined which were most statistically significant in terms of their relevance to trade flows. According to the conclusions of this research, the most significant factors attributable to psychic distance include former colonial ties and differences in education, democracy, and religion (Ibid.). Less significant, but still relevant includes languages, industrial development, degree of socialism and time zone differences (Ibid.). Like Child et al.’s study (2002), Dow and Karunaratna’s (2006) study interestingly yet rather surprisingly found that differences in culture are irrelevant to psychic distance. The study used Hofstede’s factors of cultural distance as a framework to conceptualize the infamously vague concept of culture, and discovered that it does not relate to psychic distance in a statistically significant way (Ibid.). The researches reason that this is attributable to the fact that culture as understood by Hofstede’s dimensions are not an accurate way to measure psychic distances (Ibid.). Indeed, it seems that psychic distance is a far more nuanced and complex concept than a simple examination of cultural differences.

In their work, Dow and Karunaratna (2006) made a distinction within the concept of psychic distance, which includes objective psychic distance and perceived psychic distance. The former is an examination of psychic distance on the national level, and latter relates to how key decisions maker perceive distances. The authors recommend perceived psychic distances as a better way to consider the concept, because perceived psychic distances between two markets are dynamic and not homogenous across all members (Ibid.). As the authors argue, it is often inappropriate to make the brash assumption that those of a certain nationality are all homogeneous in terms of their “language skills, ethnic background, and education level” (Ibid., p. 588). However, the Dow and Karunaratna (2016) make the argument that to explain the behavior of a
certain firm, the psychic distance stimuli should be measured in terms of the key decision-makers (Ibid.).

These psychic distance stimuli identified by Dow and Karunaratna (2006) include (1) language, (2) education (3) industrial development, (4) political systems, (5) religion, (6) time zones and (7) previous colonial ties. It be considered that based on the results of research, that each of the stimulus are not equal in their influences to trade flows (Ibid.). For their study, Dow and Karunaratna (2006) utilized the volume of the trade flows of complex manufactured goods among countries as criterion variable to assess the importance of each stimuli. Each of the stimuli are important to trade flows for several reasons, which are articulated in detail in Appendix A.

2.7.1 The role of Psychic Distance in Online Internationalization

Much existing literature discusses how e-commerce and online internationalization have contributed to “the death of distance” (Cairncross, 2002). The work of Yamin and Sinkovics (2006) examine Cairncross’ argument, and assess whether online internationalization indeed contributes to the diminution of psychic distance. The researchers conclude that it indeed does, attributable in a large part on the interactive virtual dialogue between companies and customers in the online world, one of the key features of e-commerce (Ibid.). They argue that due to the increased and low-cost of interactions between companies and customers, both sides are able to exchange information more rapidly and efficiently than ever (Ibid.). Consequently, companies are able to better understand the behavior as well as preferences of potential customer resident in foreign countries and adjust their business activities according to the generated knowledge (Ibid.). Additionally, companies get the opportunity to identify triggers of psychic distance for customers in foreign countries, for instance cultural and local determinants, at a rapid speed (Ibid.).

However, Yamin and Sinkovics (2006) propose that although the Internet can indeed reduce psychic distance, it is also a dangerous statement, as it can lead one to fall into the “virtual trap”. The virtual trap is a false perception of the internationalizing firm that the takeaways generated through the increased virtual interactions with their customers obviates the need to research their target markets through non-virtual means.
(Ibid.). As online internationalization occurs rather time-compressed and normally with multiple market entries concentrated in a brief period, companies consequently reduce the extent of deliberate knowledge acquisition about the individual markets that they target (Ibid.). Hence, the risk of not recognizing the impact of several country-specific determinants, that are invisible on the first sight but still affect psychic distance, increases (Ibid.).

2.8 Theoretical Framework

Taken the factors previously described in the literature review, Figure 1 depicts the framework for how they interact for the purposes of this thesis. The consumer’s nationality, the retailer’s COO, psychic distance between consumer nationality and retailer, and its influence on consumer’s purchasing behaviors are the focal points of the framework. Psychic distance is shown as dotted-lined arrows of varied lengths between the consumer’s nationality and the various retailer COOs. The dotted-lined arrow is pointing away from the consumer’s nationality, showing that it is based on the perceptions of the consumer. Longer psychic distances signify stronger feelings of foreignness from the consumers towards the retailer COO, which should inhibit trade flows. Therefore, in the context of this thesis, which takes on the perspective of the consumer, longer psychic distance should negatively impact consumer purchasing behaviors. These varying lengths of perceived psychic distances will directly influence consumer purchasing behaviors, which directly lead to the consumer’s ultimate purchasing decisions.
Figure 2: Theoretical Framework
Source: Own figure based on literature review
3. Methodology

The following methodology chapter starts with a description of the thesis’ research approach and method, followed by an explanation of the sampling and data collection process. Next, a detailed description of the operationalization of concepts is presented, which is essentially how the theory will be linked to the focus group questions for the gathering of empirical data. The methodology chapter concludes with the method of analysis, as well as considerations regarding the quality of the research.

3.1 Research Approach

According to Alvesson and Sköldberg (2009), there are three types of research, including that which is inductive, deductive, and abductive. The inductive approach is based on empirical data, in which theories that suit existing literature are developed afterwards (Ibid.). On the other hand, the deductive approach is based upon theory, and revolves around using existing literature within a specific area to identify threads of relevant theories (Ibid.). Finally, the abductive research is a combination of both the inductive and deductive approaches, in which the researcher first takes on a general overview of existing theories and then uses it again to examine empirical data that is collected (Ibid.). The abductive approach allows the researcher to alternate between the use of theory and empirical data, a beneficial feature that makes it the most appropriate research approach for this thesis.

The research approach of this thesis is abductive in nature, allowing the researchers to revisit theory during the research process. The research began with building a theoretical foundation based on relevant existing theories, such as Dow and Karunaratna’s (2006) conceptualization of psychic distance, and its seven stimuli. Throughout the empirical data collection process, the theoretical foundation was revisited and supplemented based on findings. To illustrate, the original research plan was to only conduct three focus groups, each representing one of three European Union (EU) countries. However, based on the observations of the focus groups, we reexamined our theoretical framework, and determined that adding two more focus groups in order to represent developing countries, would both diversify and enrich the empirical data. The decision to add more focus groups is characteristic of the abductive approach to research, as it allows the research to alternate between theory and data.
Finally, during the analysis process, the literature review was revisited to explain occurrences not relating to the theoretical framework.

3.2 Research Method

There are two ways of approaching research, including that which is quantitative and qualitative. The quantitative approach is typically associated with testing a pre-existing hypothesis. On the other hand, the qualitative approach is more exploratory in nature. According to Leung (2015), “the essence of qualitative research is to make sense of and recognize patterns among words to build up a meaningful picture without compromising its richness and dimensionality” (p. 324).

The research of this study aims to examine as well as compare the behaviors of consumers. The study seeks to find observable patterns within consumers, compare them across nationalities, in an attempt to explain wider phenomenon in the world. Additionally, as can be derived from the preceding problem discussion, this topic examines psychic distance in the context of e-commerce, a field that is still relatively undeveloped. Based on this, a qualitative approach allows for a more exploratory way of researching, allowing for new insights in consumer behaviors that have not been previously uncovered.

3.3 Research Strategy

There are multiple ways in which qualitative data can be collected, including interviews, case studies, and in the case of this thesis, focus groups. According to Krueger and Casey (2009), focus groups are defined as “carefully planned series of discussions to obtain perceptions on a defined area of interest in a permissive, nonthreatening environment” (p. 2). Bloor et al. (2001) described focus groups as being the primary method used in studies that are concerned with uncovering norms or meanings, and are often used for under-researched norms of behavior. Additionally, focus groups allow for a “democratization” of the research process, creating a platform for public participation (Ibid.). Conducting focus groups with pre-existing social groups are often seen as especially helpful in researching these sensitive topics, because will feel less inhibited to express their beliefs (Ibid). While in the presence of friends and colleagues, participants may feel more relaxed and supported in the “co-presence of
those similarly situated to them” (Ibid.) Therefore, focus group can provide an ideal environment for the research of sensitive topics. By providing an environment that facilitates discussion, the participants of focus groups will build upon each other’s ideas, and perhaps bring up novel ideas regarding the topic that we as researchers did not previously think of (Franz, 2011).

Focus groups are the research strategy of choice for this study. Online purchasing is typically private activity, and therefore, behaviors are difficult to observe. By conducting focus groups, deeper insights regarding the behaviors and social dynamics in online purchasing are revealed. Furthermore, as this study aims to understand and generalize regarding the behaviors of consumers, as well as compare these behaviors across nationalities, focus groups are a tool for understanding of collectivist behavior. Additionally, to gain the necessary empirical data for this study’s topic, questions regarding the perceptions of other countries will be asked. To some, these questions may be sensitive in nature. Much of the discussion revolves around perceptions of other countries, and issues such as trust or historical events may arise. As previously mentioned, focus groups in their democratic nature create a comfortable environment, in which inhibition to reveal true thoughts will be lowered.

3.4 Focus Group Design
The following part describes the focus group design with regards to the concepts of consumer nationality, retailer COO, the assessment of perceived psychic distances and the sampling of the group.

3.4.1 Consumer Nationality
This thesis will not only examine how perceived psychic distances impact online purchasing behaviors of consumers, but also compare the impact across various nationalities. In order to facilitate the comparison across nationalities, homogenous focus groups were formed based on consumer nationality. In the start of the research process, France, Germany and Sweden were selected as countries of interest for which consumer behaviors will be examined. The three countries were selected based primarily based on political and geographic factors, and due to their geographical proximity to one another. The consumers of all three nationalities will be asked to
discuss their perceptions of psychic distance, as well as online purchasing preferences in regards to retailers of four COOs. Maintaining a rough geographic baseline of the nationalities examined helps maintain relatively similar levels of geographic distances to the various retailer COOs. To solely compare the impact of varying psychic distances, the geographic baseline aimed to eliminate geographic distance as an additional variable that could impact purchasing behaviors of the various consumer nationalities.

Based on the empirical data collected from the French, German and Swedish focus groups, it was found that all three displayed an avoidance from conducting online purchasing from retailers of Russia and China. These results suggest that higher psychic distances impacts purchasing behaviors negatively, as all three focus groups concluded that China and Russia were more perceived as the more psychically distant than the others examined. When asked to explain their avoidance to Russian and China online retailers, the participants explained some factors that pertained to psychic distance, but also other concerns that did not, such as the reputation of creating lower-quality or counterfeit goods. Therefore, it was determined that it would be interesting to conduct two additional focus groups, each homogeneously containing consumers of either Russian or Chinese nationalities. If psychic distance is indeed what influences online purchasing behaviors of consumers, then these consumers should display a preference to buy from retailers with COOs the same as their nationality. Conversely, if these two countries are simply unappealing countries to conduct online purchasing from based on other reasons that explained by psychic distance, then the focus groups will likely yield different psychic distances, yet similar purchasing preferences as the first three focus groups.

3.4.2 Retailer COO

Four retailer COOs were selected to revolve the discussion in the focus groups around, which include the United Kingdom (UK), Australia, Russia and China. This portfolio of retailer COOs was designed based on varying levels of both geographic and perceived psychic distance from the consumer nationalities of France, Germany and Sweden. Initially, consumers of only these three nationalities were to be examined. In the selection process of retailer COOs, two countries of high psychic distance and two
of low psychic distance were selected. The perceived psychic distance between the retailer COOs and consumer nationalities were solely hypothesized based on the perceptions of the researchers. To avoid confusing the impact of geographic distance with the impact of perceived psychic distance, geographic distance was included as another factor considered in the selection of retailer COO. For a greater understanding of the retailer COO selection process, refer to Table 1.

Other factors considered in the selection of retailer COOs include the size of online retail markets, as well as Internet penetration rates. To ensure the focus group participants have a sense of familiarity with each of the countries, it was determined that they must all be relatively significant markets in the context of online retail. In 2015, China was the largest online retail country, with $766.5 billion in sales (ECommerce Foundation, 2016). The United Kingdom followed with $174.4 billion, then Russia at $22.8 billion, and Australia following closely at 22.2 billion (Ibid). Initially, the United States, with online retail sales of $595.1 billion was selected to fulfill the category of low perceived psychic distance and high geographic distance. However, as one of the researchers is American, it was determined that revolving the discussion around another country may yield more objective results from the focus groups participants. Finally, it is also significant to note that all four selected countries have an online penetration rate of at least 50% (Ibid.).

Table 1: Retailer COOs

<table>
<thead>
<tr>
<th>Low Perceived Psychic Distance</th>
<th>High Perceived Psychic Distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Geographic Distance</td>
<td>The UK</td>
</tr>
<tr>
<td>High Geographic Distance</td>
<td>Russia</td>
</tr>
<tr>
<td>Australia</td>
<td>China</td>
</tr>
</tbody>
</table>

Source: Own table based on secondary data

3.4.3 Assessment of Perceived Psychic Distance

For the study, the conceptualization of psychic distance by Dow and Karunaratna (2006) is used for the focus groups. The researchers determined the seven most significant stimuli of psychic distance, which include (1) language, (2) education system (3) industrial development, (4) political system, (5) religion, (6) time zones and
(7) previous colonial ties (Ibid.). According to Dow and Karunaratna, each of the psychic distance stimuli have varying levels of influence on trade flows. However, to facilitate ease-of-discussion during focus groups, the stimuli are assigned equal weights (Ibid.). To assess overall levels of psychic distance, points from 1-4 are assigned to each of rankings for the seven stimuli, and then added together. For example, if the French focus group ranked the UK as closest for language, the UK will be assigned 1 point, while China, ranked as farthest will be assigned (4). Countries that are tied for a certain ranking will receive the same number of points, which will correspond with their ranking. Then, the points for all seven psychic distance stimuli are added together, and the country with the lowest score will be determined as psychically closest, the second lowest score will be second closest, and so forth.

3.4.4 Sampling

For the process of data collection, the authors selected a sample of respondents from the population through non-probability sampling. According to Malhotra (2007) in this sampling procedure the sample is chosen based on convenience, personal judgment, quota controls, or some other principle, rather than on the basis of random selection from a population. The subjects are usually chosen on their accessibility or by purposive personal judgment and not every individual of the population has an equal chance of being selected (Ibid.). Therefore, the results of this study cannot be considered to be representative. However, this sampling technique is very useful for qualitative and exploratory studies, as it helps to demonstrate that a particular trait exists in the population, which can prelude to a main study on a larger base (Ibid.).

The non-probability sampling method chosen for this study is purposive sampling. The objective is to gain access to a subset of people based on purpose (Malhotra, 2007). All respondents are aged between 20 and 32, roughly falling into the category of a Generation Y, which represents a significant portion of online shoppers today and in the near future (Statista, 2017). Besides the age limitation, the study subjects must pass certain requirements to ensure that they indeed represent their country of origin. This is vitally important, as the results of the different countries studied will be cross-examined. The requirements to confirm the representativeness of a consumer of a particular country include (1) required to have lived in their country of origin for at
least 10 years, (2) speak the language of their country origin, (3) identify primarily as originating from that country. Finally, it is required that each of the respondents has engaged in e-commerce at some capacity prior to the interview experience, either domestic or cross-border. The reason that consumers that have solely engaged in domestic e-commerce were invited to engage in the focus group, is gain the perspective of consumers most averse to cross-border retail. Only subjects that fit the preceding description and criteria will be accepted as participants for the thesis’ research, and all others will be rejected.

3.5 Respondent Profiles
Table 2 provides information regarding the composition of each focus group in regard to both age and gender of the consumers examined. In total, there were 34 participants, all aged between 20 and 32. Due to factors outside of researcher control, the female perspective was represented more than the male. For more information regarding the individual respondent profiles see Appendix B.

Table 2: Respondent Gender and Age

<table>
<thead>
<tr>
<th>Country</th>
<th># of Participants</th>
<th>Gender</th>
<th>Median Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>7</td>
<td>3 Male</td>
<td>4 Female</td>
</tr>
<tr>
<td>Germany</td>
<td>7</td>
<td>2 Male</td>
<td>5 Female</td>
</tr>
<tr>
<td>Sweden</td>
<td>7</td>
<td>2 Male</td>
<td>5 Female</td>
</tr>
<tr>
<td>Russia</td>
<td>5</td>
<td>2 Male</td>
<td>3 Female</td>
</tr>
<tr>
<td>China</td>
<td>8</td>
<td>3 Male</td>
<td>5 Female</td>
</tr>
<tr>
<td>Overall</td>
<td>34</td>
<td>12 Male</td>
<td>22 Female</td>
</tr>
</tbody>
</table>

Source: Own table based on empirical data
3.6 Focus Group Implementation
As previously described, the data gathered for this study was primarily collected through the conduction of focus groups. All three focus groups took place between April and May of 2017 in Kalmar, Sweden. The focus group participants were situated in a private room equipped with a whiteboard, within the main library of Linnaeus University Kalmar campus. The location choice was one that facilitated accessibility for the participating respondents, who were at the time, all residents of the city. Participants were told to take whichever seat they pleased, and refreshments were served, all with the goal of creating a comfortable discussion environment for the participants. The discussions in the focus groups primarily were in English, however, the native language of the participant’s countries was sometimes used. The focus groups were semi-structured, and depending on the question, the discussion contained responses from some or all respondents. Each of the focus groups took roughly one hour, and was recorded through the usage of smartphones and laptops.

3.6.1 Operationalization of Concepts
In order to ensure the necessary data was collected while conducting the focus groups, it is crucial to ensure that there is a strong connection between the theoretical framework and the questions asked during the focus groups. According to the theoretical framework of Figure 2, when consumers are reaching purchase decisions, their own nationalities, as well as perceived psychic distances to retailer COOs have an impact on online purchasing behavior. This thesis seeks to examine the impact of perceived psychic distance on online purchasing behaviors, as well as compare the impact of this influence on various consumer nationalities. For the operationalization of the theoretical framework, it is broken down into three major concepts, including (1) consumer/consumer nationality, (2) influence of perceived psychic distance (3) retailer COO. Table 3 depicts the operationalization of the research, showing each concept, its purpose, as well as how it is manifested into questions. Actual questions asked in the focus groups showed slight variation based on conversation flow, but the purposes of asking the questions always remained the same. As previously mentioned, each focus group was homogenous in terms of its participant nationalities, which included France, Germany, Sweden, Russia and China. The specific details of the focus group operationalization will be outlined below.
Table 3: Operationalization of Concepts

<table>
<thead>
<tr>
<th>Concept</th>
<th>Purpose</th>
<th>Question Guide</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category 1: Consumer &amp; Nationality</strong></td>
<td>Questions based on gaining a general understanding of each consumer in the context of e-commerce, including behaviors and involvement. The goal is to gain an understanding of subjects, as well as insights regarding the nature of online consumer purchasing behavior within each country. Furthermore, this section aims to gather insights regarding consumer’s actual purchasing behaviors and decisions.</td>
<td>How involved is each consumer in e-commerce? What types of products do they typically purchase online? What country of origin do these consumers purchase the most from in the context of e-commerce? Which countries do they avoid? Why?</td>
</tr>
<tr>
<td><strong>Category 2: Perceived Psychic Distance</strong></td>
<td>The questions in this section are intended to gain an assessment of overall psychic distance between the subjects’ nationality and four potential COOs.</td>
<td>Ranking Activity: Respondents asked to rank countries in question (Russia, China, the UK and Australia) from closest to farthest in comparison to their country (Germany/Sweden/France) in terms of the seven dimensions of psychic distance. (Followed by guided discussion)</td>
</tr>
<tr>
<td><strong>Category 3: Influence of Retailer COO</strong></td>
<td>The following question aims to assess how consumers’ online purchasing preferences vary based on the retailer COO. The results will be compared to overall psychic distance derived from the previous selection to find if any relationship exists. An understanding of how strong their preferences for or against certain countries of a certain psychic distance is assessed.</td>
<td>Ranking exercise: Respondents rank the four countries according to how likely they would purchase a generic product from them, followed by a discussion regarding why. What types of incentives, if any, might convince them to purchase from a country they may be averse to buying from?</td>
</tr>
</tbody>
</table>

Source: Own table based on literature review

3.6.1.1 Consumer Nationality

The first category of questions is positioned to gain a general understanding of the focus group participants’ online shopping involvement level, as well as behaviors.
Participants are asked to categorize themselves in terms of their involvement to online purchasing (avid/inexperienced/somewhere in the middle). Then consumers are then asked to describe what types of products they typically purchase online, as well as the crucial factors they consider when selecting an online retailer. Additionally, this category of questions aims to gain insights regarding actual past purchasing behaviors of consumers. The primary purpose of the first category of questions is to gain insights regarding each consumer to serve as a foundation for the analysis of the remainder of the research process. Secondarily, these questions aim to give light to the attitudes to online shopping within each country in question.

3.6.1.2 Perceived Psychic Distance
As previously described, this thesis examines the influence of varying levels of psychic distances on consumer purchasing behavior, and therefore, an activity that served as a tool to assess varying levels of psychic distance was created. As psychic distance, unlike geographic distance, cannot be measured clearly in units of measurement such as kilometers, the varying perceived psychic distances of the countries are measured in relation to each other. To do so, the focus group subjects were asked to engage in a “game”, in which they must rank the four countries in question (Russia/China/Australia/the UK) in terms of distance to their own country (France/Germany/Sweden/Russia/China) based on the relevant dimensions of psychic distance according to Dow and Karunaratna (2016). Four pieces of paper that represent each country are placed on the white board that the room is equipped with, and the participants are instructed to arrange them from closest to farthest in comparison to their own country as a group. One volunteer is taken from the participants is taken to stand and arrange the papers based on the discussions of his/her peers. The participants were given an estimated two minutes to make their decisions regarding each dimension, however this was typically not strictly enforced, depending on the discussion. After a ranking decision is reached, a discussion regarding the decision-making process would take place. The participants were asked to use English throughout the entire ranking process.

During the process of the focus group, the term “psychic distance” was not introduced to the participants. The reason that participants were not directly asked about psychic distance was for fear that preconceived notions of the term, or the complex nature of
the concept would be misunderstood, skewing results. Therefore, by breaking down psychic distance in accordance to the dimensions by Dow and Karunaratna (2006), perceived psychic distance could be assessed indirectly. The psychic distance stimuli as defined by the researchers are relatively easy to understand, and therefore did not require much additional explaining, and furthermore, the way in which groups breakdown and understood each stimulus is interesting as well. The exception to this is the seventh stimulus of previous colonial ties, as many of the countries that are examined in this thesis have no colonial relationships with each other. According to Dow and Karunaratna (2006), colonial links is the stimulus where geographic distance and psychic distance come together, and can influence the other psychic distance factors such as language and political systems. Despite the lack of previous colonial ties between many of the countries, some have been heavily influenced by each other due to previous wars, historical trade relationships, or even occupations. Therefore, the seventh stimulus of “previous colonial ties” was consistently explained as historical interactions between countries that influence the way the countries are today.

3.6.1.3 Retailer COO
The third category of question aims to assess the influence of distance on shopping behavior based on asking questions regarding their purchasing preferences. The subjects are shown an image of a blue backpack (Appendix C), and told to imagine that they would like to purchase this product from an online retailer for a family member. The backpack was chosen, because it represents a generic product that would likely be considered moderately priced. As before, the participants are asked to rank the four countries as before, regarding the preferences from “most like to buy” to “least like to buy”. The participants are told to keep in mind that the only variable is the retailer COO, and all other known factors are held constant (shipping time, shipping costs, customer service, return policy, and perceived quality of object). To assess the strength of these preferences, the consumers are asked if and how they may be persuaded to purchase from the country that is ranked last over the one that is ranked first. In order to facilitate the discussion, the moderator sometimes brought up examples such as discounts or free shipping.
In the analysis section, rankings of retailer COO and psychic distance will be compared to assess the influence of psychic distance on consumer purchasing behaviors.

3.7 Data Collection

Data collection always demands a conscious and appropriate selection of the material that is relevant for the research. The appropriate selection of a suitable technique to retrieve the findings as well as the technique’s suitability with the theoretical orientation, problem and purpose of the study as well as the sample are fundamental for a successful research outcome (Merriam, 1998). The way that data will be collected for this study is through the conducting of focus groups. According to Yin (2014), data can be retrieved from six various sources of evidence, namely archival records, documents, interviews, direct observations, participant-observation, and physical artifacts. Focus groups falls under a larger category of group interview; however, it adds a significant benefit in that it uses group interactions to generate research data (Kitzinger, 1994).

As researchers, much of data collected for the purpose of research will be primary data, which will be derived from conduction of focus groups. According to Saunders et al. (2009), primary data allows the researcher to get a detailed understanding regarding the specific research problem as well as the respondent’s feelings and behaviors. Therefore, through the focus groups, the researchers will not only register the statements of the respondents, but also non-verbal interpersonal communication cues such as volume, facial expressions and gestures. This significant benefit of the focus group will allow the researchers to look at the answers from more than one channel.

Although not the focal point of the research, some secondary data regarding the retailer COOs and consumer nationalities will also be conducted. The purpose of this secondary data is to be used as a basis to gain a general understanding of the Internet in each of these countries, as well as its landscape in the context of e-commerce. Gathering and analyzing secondary data, generated through previously recorded resources, helps the researcher to provide a relevant and profound background for a study (Saunders et al., 2009).
3.8 Data Recording

According to Scott et al. (2009), the ideal way “process for conducting focus groups and generating written text for analysis” is yet to be solidified in the academic world (p. 141). There are many challenges to the traditional approach of transcribing focus group conversations using audiotapes after-the-fact (Ibid.) First, focus groups involve multiple respondents, and therefore voices can be difficult to distinguish based on audiotapes (Ibid.). Furthermore, nonverbal behaviors of participants not represented in voice recordings will be lost (Ibid.). In their article, Scott et al. recommended the usage of court reporters to conduct real-time transcribing during focus groups, as their presence gives them the ability to ask participants to repeat was is expressed unclearly, and write down nonverbal cues such as nods and eye-rolls (Ibid.). Court reporters were not employed for this thesis; however, real-time note taking of both verbal and nonverbal behaviors was conducted by one of the researchers, while audio recordings were simultaneously taken through both a laptop and smartphone. Afterward the focus groups, notes were reviewed and further supplemented through the reviewing the focus group audiotapes.

3.9 Data Analysis

The gathering of empirical data is followed by the data analysis process, which according to Corbin and Strauss (2008), is defined as the procedure of investigating data in order to reveal its sense and function. Hence, data analysis is vitally important necessary step of giving meaning to the empirical data that has been collected in the focus groups (Ibid.). According to Saunders et al. (2009), it is recommended that empirical data be analyzed with reference to a conceptual framework, and therefore, the literature review and theoretical framework in Figure 2 will be the basis for analysis.

The findings of the focus groups will be divided into the same four major areas as illustrated in the operationalization table, which include (1) consumer & consumer nationality, (2) perceived psychic distance, (3) influence of retailer COO and (4) purchasing decisions. These findings will be presented in summary tables that allow the researchers to search for key themes, patterns and relationships within. The theoretical framework will be applied to each of the focus groups on the country-level,
understanding the empirical results of French, German and Swedish focus groups separately. The findings of each of the focus groups will examine how varying levels of perceived psychic distance influences consumer purchasing behavior. Then, the results of the focus groups will be directly compared in order to find how the influence of perceived psychic distances changes based on consumer nationality.

3.10 Quality of Research

3.10.1 Validity

In the context of qualitative research, such as the one conducted in this study, the validity of research refers to “appropriateness” of the tools, processes, and data used (Leung, 2015). The research questions, methodology, sampling and analysis process, and finally results and conclusions must be appropriate and align with the desired outcome (Ibid.). According to Maxwell (1992), in the context of qualitative studies, the five factors that concern the validity of the study include descriptive validity, interpretive validity, theoretical validity, generalizability and evaluative validity. This thesis will focus on the former three of these, as the author emphasized that they are the most central in the context of qualitative studies (Ibid.).

3.10.1.1 Descriptive Validity

Descriptive validity refers to the “factual accuracy” of the account of the empirical data collected (Maxwell, 1992, pp.285-286). In the context of the focus groups that will be conducted, in relates to how accurately and correctly the conversations that occurred in the study will be reported. To ensure maximal descriptive validity, the conversations of the focus groups will be recorded using a smartphone, a moderator simultaneously takes notes. The purpose for both recordings and live note taking is to allow for both verbal and nonverbal behaviors to be gathered as empirical data. Both researchers will review the notes taken during the focus groups, confirming the accuracy based on both their memories and the audio recordings, then supplement with additional information that may have been omitted during the live note-taking process.

3.10.1.2 Interpretive Validity

Interpretive validity refers to how well the researchers understand and report the viewpoints of the study subjects through taking on an “emic” perspective (Maxwell,
1992, p.289). As Maxwell (1992) describes, interpretive validity relates to what the “objects, events and behaviors” in the setting of the study mean to the participants (p. 288). Maxwell raises the example of a teacher raising their voice in front of their classroom. It is up to the researcher to take an emic perspective to understand whether they are truly angry at their students, or simple trying to control of the classroom (Ibid.). A possible example of this in the context of focus groups may include tonal fluctuations or hand gestures. Therefore, to ensure interpretive validity, seemingly relevant behaviors not captured on the vocal recording will be taken into account by the researchers through live note taking. The behaviors, objects and events deemed to be impactful to analysis will be transcribed as empirical data.

3.10.1.3 Theoretical Validity
Theoretical validity relates to the extent to which the theoretical explanations match with the empirical data that was collected. As Maxwell (1992) explains, the theoretical understanding “refers to an account’s function as an explanation, as well as the description or interpretation, of the phenomena”. In context of this study, it begs the question, is the account of the focus group truly an account of the theory that has been proposed (Ibid.). To ensure theoretical validity, the operationalization of the focus group is based on the theoretical framework as a foundation. Furthermore, the theoretical framework will be utilized as the basis for the analysis of empirical data gathered through the focus groups.

3.10.2 Reliability
According to Leung (2015), the reliability of qualitative research refers to the “replicability of the processes and the results”. The results of a highly reliable qualitative research should be replicable if repeated (Ibid.). In order to ensure consistency in the results, each of the focus groups tightly followed the flow of the operationalization table, which the moderator used the guide for discussion. The timing and internal environments of the focus groups were kept relatively consistent with one another, to avoid additional disturbances that may impact results. Finally, the researchers considered it very important that any changes in the research process were recorded, so that future researchers can understand the exact way in which the research process took place.
3.11 Ethical Considerations

In the context of research, ethics help researchers to “uphold their values”, by deciding “which goals of research are most important and to reconcile values and goals that are in conflict” (Diener and Crandall, 1978, p.3). According to Diener and Crandall (1978), there are four primary considerations regarding ethics in the conduction of research. These considerations include whether there is (1) “harm to participants”, (2) “lack of informed consent”, (3) “invasion of privacy” and (4) “deception” (pp.17-72). Throughout the entire research process, the four previously mentioned ethical considerations will be followed. Prior to the collection of empirical data through conducting focus groups, the clear consent from research subjects will be gained prior to the conduction of focus groups. To protect the identity of subjects, names will be omitted to ensure anonymity. It will be ensured that the subjects are not deceived regarding the purpose of the research, by avoiding any misleading language. Participants will not be forced to disclose information that they may not feel comfort in sharing. Finally, it is the responsibility of the researchers to ensure the safety of the research subjects at every capacity, including avoiding the use of harmful language or profanities during the focus group conduction process.
4. Empirical Findings

This section presents the data that was collected during the focus groups that were conducted for the purposes of research. The findings are broken down by country, in accordance to the order that the focus groups took place. Therefore, the EU countries will be presented first in the order of France, Germany and Sweden, followed by Russia, and finally China. In this section, the focal point of the primary data is presented, broken down into major sections in accordance to the theoretical framework. This section aims to depict the opinions of the focus group participants to the best of the researcher’s abilities. The opinions presented do not represent the opinions of all focus group participants, or those of the researchers.

4.1 Focus Group France

France, a member of the European Union, has the world’s 7th largest e-commerce to gross domestic product (GDP) ratio, also known as electronic gross domestic product (eGDP) (ECommerce Foundation, 2016). In total, 7.7% of all retail is conducted through e-commerce in France (Ibid.). France holds a high Internet penetration rate of 87%, and 67% of the total population engages in online purchasing (Ibid.). On a national level, French consumers tend to purchase clothing online the most, followed by shoes & lifestyle products, and media & entertainment (Ibid.). In 2015, 36 million French consumers shopped online, each spending an average of $1946 (Ibid.).

4.1.1 Consumer Nationality

The French focus group started by making an assessment regarding the participant’s involvement in online shopping. Based on the self-reported levels, the group displayed a broad range of involvement. One respondent claimed to be highly involved, purchasing products online 1-3 times a month. Two other respondents characterized their involvement as medium, and the three characterized themselves as low, expressing a general avoidance.

In their discussion of what they typically purchase online, the French group mentioned a broad range of products. For example, general gifts, clothing, sporting items, books, groceries and electronics as well as products that are cheaper online. Three participants said they would only order goods that are not available in physical shops nearby them.
and one of them explained that the internet serves primarily as a source of "inspiration" when searching for products to buy in physical shops. Overall, it seemed that the items that the French consumers tended to purchase online were typically everyday items of moderate price.

The discussion then moved into what the respondents look for when selecting online retailers. It became clear that they put a high emphasis on safety, mentioning (1) website familiarity, (2) trustworthy appearance, and (3) security. Other aspects that came up during the conversation were the importance on free returns, customizability options, the possibility to create an own account to have a shopping basket to revisit in the future and website design. Two of the participants pay attention to ethical considerations, rejecting retailers that lack ethical practices, or purposely seeking out retailers with local products.

One participant disclosed their habit to always research the retailer COO before purchasing an item, as well as tendency stick to a few selected websites, due to mistrust to people in the web. Another person wants to know about the retailer rather to help put forward smaller businesses and less for COO reasons. Moreover, two respondents avoid certain countries due to bad experiences with them in the past. Three other respondents stated to not go out of their way for that, because they place little importance on it and don’t consider it as worth the time.

In the past, the group purchased primarily from European retailers, namely from France, Germany and the UK. American retailers were mentioned regarding technological products and one respondent told the group about her boyfriend purchasing from the Chinese retailer Alibaba very frequently, despite the downside of a three week wait time. Another one would always prefer to purchase from his own country and in physical shops if the opportunity presents itself.

4.1.2 Perceived Psychic Distances
The French focus group participants were tested on seven psychic distance stimuli, and their rankings are shown in Table 4.
Table 4: Perceived Distance Ranking of French Focus Group

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Closest</th>
<th>Distance</th>
<th>Farthest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Language</td>
<td>UK</td>
<td>Australia</td>
<td>Russia</td>
</tr>
<tr>
<td>Education System</td>
<td>UK</td>
<td>Australia</td>
<td>Russia</td>
</tr>
<tr>
<td>Industrial Development</td>
<td>UK</td>
<td>Australia</td>
<td>China</td>
</tr>
<tr>
<td>Political System</td>
<td>Australia</td>
<td>UK</td>
<td>Russia</td>
</tr>
<tr>
<td>Religion</td>
<td>UK</td>
<td>China &amp; Australia</td>
<td>Russia</td>
</tr>
<tr>
<td>Time Zones</td>
<td>UK</td>
<td>Russia</td>
<td>China</td>
</tr>
<tr>
<td>Previous Colonial Ties</td>
<td>UK</td>
<td>Australia</td>
<td>China</td>
</tr>
</tbody>
</table>

Source: Own table based on empirical data

The respondents indicated to perceive themselves as the closest to the UK regarding all psychic distance stimuli except of the political system. They explained that they cannot relate to the existence of the British monarchy because it is something "you would never see in France anymore". Nevertheless, they see a strong connection to the country in terms of their education systems as well as to the factor time zones due to the commonly held knowledge that it is a one hour time difference. Furthermore, the respondents explained to be familiar with the British language because it is taught in the French education system. Talking about the factor religion, one participant led the discussion by reiterating that "France is the least religious country in the world" and the group regarded the UK, which they considered as mainly protestant, as the closest to France. Concerning previous colonial ties, the UK got described as a similarly large colonizer as France, producing similar outcomes.
Regarding Australia, the French respondents displayed a general closeness, especially in terms of the political systems. The country’s ranking behind the UK for the factor language was explained with not being used to the Australian accent, which sounds "kind of weird" to the respondents. Furthermore, the discussion revolved around the lower amount of government subsidies available for education in Australia what causes, in the eyes of the group, its generally high cost. Talking about the factor industrial development the participants touched the point, that Australia has, just like Russia, a lack of infrastructure development in many places. Nevertheless, it got ranked as the second closest because one participant pointed out that Australia counts, just as the UK and France, to the developed countries. In terms of religion, the group considered Christianity to be the main religion in Australia and when the topic turned towards the factor time zones, Australia was placed immediately last due to its geographic distance. The ranking results of the last psychic distance dimension, previous colonial ties, was justified with the colonization of Australia by Western countries.

Russia was in most dimensions determined as psychically further away from France than the UK and Australia. A brief discussion regarding time zones arose due to the country’s immense size, before it got ultimately ranked behind the UK. Talking about the factor language, the group ranked Russia before China "because of the alphabet", although both countries were perceived as very different from France. As the discussion regarding industrial development revolved heavily around the level of infrastructure and economic status of the country, the respondents argued for having the largest distance to Russia by talking about the country’s status as developing country and that it does not exploit its large territory the way it could. Russia was concluded to be last for the dimension religion as well, as the interactions between the church and everyday life are perceived as more intense than in the other countries examined. Moreover, the group expressed a general lack of knowledge regarding the Russian education system.

The French focus group saw the largest differences with reference to the seven stimuli between their home country and China. It got ranked for the factors language and political as well as education system as the farthest, discussing the last factor concerning the cost of education and the nature of teaching styles. One participant argued that like France, China's education system is heavily subsidized, but the group perceived the teaching style in China as stricter than France, and in general, very
different. During the discussion about industrial development, China got defined as
developing country. Talking about religion, one participant claimed that although
currently religion has very little bearing in everyday life in China, it is rapidly rising,
with Catholicism becoming very popular.

4.1.3 Retailer COO
The French focus group participants ranked their retailer COO preferences as the
following:
1. UK
2. Australia
3. China
4. Russia
Overall the discussion primarily revolved around quality concerns, the reputation of
countries, language differences, as well as geographical distance. Worries about quality
issues regarding purchases from China were expressed with statements like "most
products are produced in China anyway", and the group stated to not know much about
Russian products, but expressed in general a lack of trust regarding Russian quality as
well. The UK got perceived as offering products of high quality, just as Australia, but
the latter is considered as geographically too far away and only an option for products,
that are solely produced there. Another considered factor was the smaller ecological
footprint that purchasing from the UK causes and "perhaps better ethics" that in the
other three discussed countries. Regarding the language issue, the group mentioned that
with Chinese or Russian websites, there may be problems understanding them, even
with Google Translate.

To test the strength of their preferences, the French participants were asked about how
they could be persuaded to purchase from one of the countries that was ranked lower
on the list. Only one respondent explained, that her quality concerns would in practice
probably be stronger than incentives. Another one stated that nothing could convince
her to purchase outside of France, possibly except for a discount on a UK website, while
the next one would react to price incentives from any country, despite initial holdbacks.
Three participants said they do not place a significant importance on retailer COO and
would purchase from whichever retailer has a price incentive. One of them added that
this only counts if he cannot find the product in a physical store and another said that this is only valid for low-cost products. Thereupon other respondents agreed, that the nature of the product plays an essential role in this decision.

4.2 Germany

Germany, another member of the European union, has the world’s 19th largest eGDP. In Germany, 89% of the population uses the internet, and 73% of the total population engages in online purchasing. On a national level, German consumers tend to purchase clothing online the most, followed by shoes & lifestyle products, and then by information technology. In 2015, German consumers that purchase online each spent an average of $1283 (ECommerce Foundation, 2016).

4.2.1 Consumer Nationality

Being asked about their level of involvement in online shopping, six out of the seven focus group participants stated to be medium involved. One explained this with moving from the countryside into the city, where physical stores were situated more convenient. Another one expressed a general dislike and sees benefits only in gaining inspiration, comparing prices and the larger choice of products, which in turn got perceived by another person as "overwhelming". Moreover, it is considered as being practical during working hours or when being sick. One participant characterized himself as highly involved in online purchasing and explained his behavior with being very price focused and simply too lazy to go to traditional shops.

Regarding the question what types of products the German respondents normally seek for on the internet, the results contain mainly universal, everyday items of moderate prices. Books, electronics, apparel, gifts and small ticket items as well as services like booking accommodation or flights and items that are cheaper online were mentioned. One respondent stated to purchase very specific products, which are not available in physical shops nearby. Another participant excluded products which require consultancy, for instance fridges or microwaves.

When selecting online retailers, the German group gave safety aspects a high importance, for example, trustworthy certifications or recommendations of other
people. Moreover, they talked about the website design, preferring it to be calm, structured and logic without colorful pop-ups. Additionally, they demand filter options and the website must be easy to find. One respondent, that purchases as well expensive electronics online, said that for him after-sales services matter as well as that "...the shop has a good reputation and that it is reliable.". Additionally, promising logistical factors are encouraging to purchase from a specific retailer, for instance fast and reliable delivery: "I do not want to wait six weeks for a shipping from Asia only to get half the product. I don’t want bad surprises. ". Other discussed factors are easy return options, payment methods reward system.

Concerning the question whether the participants look up the retailer COO before purchasing something, the answers were very mixed. If they do, then mainly to see if the product comes from Germany, if the retailer seems trustworthy and to estimate the shipping time. One respondent stated that she never checks the retailer’s COO.

In general, the German group showed a tendency to purchases from retailers located in the European Union. These retailers are mainly from Germany or countries that they perceive as similar like Austria or Switzerland, connected to “Central European Values”. Several reasons were named, for instance "trust", "being easy", "quality", "warranty issues", "protection laws" and one respondent even said, that she would pay more to buy something from Germany. Goods, that a country has a good reputation for, for instance Italian shoes or Indian spices, are usually purchased in this country. Regions that the respondents feel reluctant about are "everything in the East", South America, Africa and India. In general, the respondents were very skeptical of countries outside of the European Union with one respondent stating: "There is nothing that I like that much, that I would order it from one of these countries". An interesting comment at the end of the focus group was: "We reject to buy from Chinese retailers directly via the online way, but we still buy Chinese products in local shops without a problem.".

4.2.2 Perceived Psychic Distances
The ranking results of the German focus group participants regarding the seven psychic distance stimuli are shown in Table 5.
Table 5: Perceived Distance Ranking of German Focus Group

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Closest</th>
<th>Distance</th>
<th>Farthest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Germany</td>
<td></td>
</tr>
<tr>
<td>Language</td>
<td>UK</td>
<td>Australia</td>
<td>Russia</td>
</tr>
<tr>
<td>Education System</td>
<td>UK</td>
<td>Australia</td>
<td>China</td>
</tr>
<tr>
<td>Industrial Development</td>
<td>UK</td>
<td>Australia</td>
<td>Russia</td>
</tr>
<tr>
<td>Political System</td>
<td>UK &amp; Australia</td>
<td>Russia &amp; China</td>
<td></td>
</tr>
<tr>
<td>Religion</td>
<td>UK &amp; Australia</td>
<td>Russia</td>
<td>China</td>
</tr>
<tr>
<td>Time Zones</td>
<td>UK</td>
<td>Russia</td>
<td>China</td>
</tr>
<tr>
<td>Previous Colonial Ties</td>
<td>UK</td>
<td>Russia</td>
<td>China</td>
</tr>
</tbody>
</table>

Source: Own table based on empirical data

The German focus group participants displayed to feel psychically the closest to the UK by ranking the country on the first position for all seven dimensions. They explained that in terms of language, British English is easier to understand than Australian English, mainly because it is typically taught in German schools. The clear leader of the industrial development ranking is the UK, because in a manner similar to Germany, they are relatively compact and economically advanced countries. One participant expressed their perception of the UK as, "You can go from wherever, whenever, and you will never reach a region where it is poor.". The initial order during the discussion about political systems had the UK on the second rank behind Australia, due to the country’s recent decision to leave the EU. Afterwards both countries got moved on the same level, arguing that they show the same democratic characteristics,
especially in terms of voting. During the conversation regarding the psychic distance stimuli of *religion*, several factors were considered by the group, for instance (1) the main religion in all four countries, (2) the relationship between religion and government and (3) the role of religion in daily life. As a result, Australia and the UK seemed for the group to have the most similar types and importance of religion compared to Germany. In terms of the stimuli *previous colonial ties* Germany was seen as the closest to the UK due to the two world wars and the country’s subsequent control over parts of Germany, which left their traces until today.

The respondents indicated to perceive themselves as relatively close to Australia and compared the country to the UK throughout the whole focus group discussion. This led to both countries being tied together twice in the final rankings, namely in terms of *political systems* and *religion*. When the conversation revolved around the dimension *industrial development*, the group explained that in Australia as well as in the UK, the living standard is comparable to Germany. Russia, China and Australia were all described as being big countries that have major stretches of land that are not developed. Nevertheless, Australia got ranked as second closest after one respondent pointed out: "*But even when you go to the Australian countryside they have running water. In China, they don’t*". With reference to the factors *time zones* and *previous colonial ties*, Australia was perceived as the farthest away due to the large geographical distance to Germany and the lack of common history between both countries.

Russia was perceived by the German respondents as the third closest country. It got ranked before China regarding *language* because (1) Russian is written like German from the left to the right, while Chinese is written from the right to the left, (2) Russian would possibly be easier to learn for Germans and (3) after the second world war Russian was spoken and taught in some regions of Eastern Germany. The *education system* was ranked based on the similarity of the system, strictness, the teaching of critical thinking and access to education. As a result, Russia, as well as China, were described multiple times as far away from the other two countries, mainly because the group had the impression that critical thinking and socializing play a less important role in these two countries compared to Germany. The *political system* ranking indicated again an immense difference between the Australian and British systems compared to the other two countries. Russia, with its many types of *religion*, got described as closer
to Germany than China for this factor. In terms of previous colonial ties, the group explained that Russia had, just like the UK, the control over parts of Germany after the second world war. Nevertheless, it was perceived only on the second rank because nowadays Germany is from a political perspective closer to the UK.

The German group ranked China for all dimensions except of education system, time zones and previous colonial ties as last. Just as Russia, China was perceived as far away from Germany regarding the education system. One respondent argued for the high level of education in China with his experiences at university, where Chinese students were high performing. But their education system in general got characterized as more subordinate and strict than the Russian one, which the respondents stated to not have much knowledge about. Moreover, education is perceived as not equally distributed in China due to the limited access in the countryside. It terms of industrial development the group saw a large gap between the first and the last two countries. It was described as high in Chinese cities, but not where the majority lives, the countryside. Moreover, they still receive development money. Concerning the dimension religion, the group knew about certain traditions, but was rather unsure whether they are connected to religious habits or not. One respondent asked "Aren’t they always praying in the morning in schools when you see those documentaries? " what another one replied to with "But is it praying or is it something else?". Just like with Australia, the German participants saw no historical connection to China. Yet it got ranked third, arguing with the economic influence of Germany on China during the last 20 years.

4.2.3 Purchasing Preferences
The German focus group participants ranked their retailer COO preferences as the following:
1. UK
2. Australia
3. Russia & China

The ranking revealed a clear preference of retailers from the UK, while buying from retailers of Russian, Chinese and Australian origin as an option that is not viable for most of the respondents. Besides worries about having to pay high customs/taxes, the main issue of all respondents with China and Russia is a lack of trust in these two
countries. One participant explained, that she would trust China over Russia if she had no other retailer option, due to good experiences of a friend, but she would never consider a Russian retailer. Australia got ranked a little bit higher than Russia and China at the end of the discussion because the group expressed more trust in Australian retailers, but considered the geographical distance as a barrier. As one respondent stated: "If I have the opportunity to order it from the UK, why should my backpack go on such a long trip?".

Factors, that would encourage the German respondents to order online from a country, that they showed a low purchasing preference for are positive experiences with the exact same product made by friends and discounts. One of the respondents mentioned, that if the price reduction got too high, she would not trust the retailer anymore and would question for instance the quality of the product. Two participants explained that their likeliness to be convinced depends on the nature of the product and hence the financial risk that comes along with the purchase, which would be higher for a TV compared to a backpack. One respondent said, that she would never order expensive products from any of these four countries ("never, not even from the UK") and many participants expressed their agreement, one of them referring to personal bad experiences.

4.3 Focus Group Sweden

Sweden, the Nordic country with the highest e-commerce engagement, spent €6.5 billion on online purchasing on 2015 (Postnord, 2016). In Sweden, 95% of the population uses the internet, and 87% of the population engages in online purchasing at least once a year (Ibid.). 32% of the Swedes participate in purchasing from international online retailers, with the UK being the Sweden’s favorite e-commerce destination (Ibid.). On a national level, Swedish consumers tend to purchase media products online the most, followed by clothing & footwear, then by health & beauty products, as well as home electronics (Ibid.). In 2015, Swedish consumers that purchase online each spent an average of €313 per quarter (Ibid.).
4.3.1 Consumer Nationality

All Swedish focus groups participants have engaged in e-commerce in the past, and most expressed a high involvement in online purchasing, with for instance one respondent saying: "I think it's kind of a big part of my life, I do most of my shopping online nowadays.". Advantages, that the group seeks online are getting the best deals and the ease of shopping from home. Two medium involvement respondents explained to prefer the simplicity of shopping in physical stores and to only purchase online when they are unable to find something there.

Regarding the types of products that the group looks for in online shops, they mentioned clothes, cosmetics, specialty items, books, electronics, and in general, any products not available in traditional shops.

In terms of what they look for in an online retailer, the respondents spoke about factors like a wide assortment that matches their preferences and website familiarity as well as safety, reliability and the retailer’s reputation. For the latter points, one respondent said to examine on Google what other purchasers have said about a product that he is about to buy. Additionally, the group gave a high importance to shipping fees, shipping time and free returns. One respondent likes the option of "cashbacks" after frequent purchases, another one prefers an invoicing option if the website is unknown, in order to avoid providing credit card information.

When asked about their actual purchase decisions, most of the participants explained that they do not check the retailer COO. Only one participant stated that she does and added that she perceives websites written in Swedish as more reliable. Another one said that she does not look it up as often as she would like to. The rest of the respondents assess other factors than the COO of the retailer, for instance quality, certain brands, the location of product manufacturing and some look for specific COOs for specific types of products (e.g. electronics from the US).

When asked about their past purchasing behaviors, all Swedish focus group participants demonstrated a preference for purchasing from online retailers within the EU, if possible from Sweden. The reasons included trust for laws and regulations and
customer safety. Furthermore, many participants mentioned the UK as a retailer COO that they frequently purchase from. One respondent mentioned that he also has experience buying from the Chinese retailer Alibaba, but only for goods "up to a certain price, when I don't care if I lose the money".

4.3.2 Perceived Psychic Distance

The ranking results of the Swedish focus group participants regarding the seven psychic distance stimuli are shown in Table 6.

Table 6: Perceived Distance Ranking of Swedish Focus Group

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Closest</th>
<th>Distance</th>
<th>Farthest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Language</td>
<td>UK</td>
<td>Australia</td>
<td>Russia</td>
</tr>
<tr>
<td>Education System</td>
<td>Australia</td>
<td>UK</td>
<td>China</td>
</tr>
<tr>
<td>Industrial Development</td>
<td>UK</td>
<td>Australia</td>
<td>China</td>
</tr>
<tr>
<td>Political System</td>
<td>Australia &amp; UK</td>
<td>Russia</td>
<td>China</td>
</tr>
<tr>
<td>Religion</td>
<td>Australia</td>
<td>UK</td>
<td>Russia</td>
</tr>
<tr>
<td>Time Zones</td>
<td>UK</td>
<td>Russia</td>
<td>China</td>
</tr>
<tr>
<td>Previous Colonial Ties</td>
<td>UK</td>
<td>Russia</td>
<td>China</td>
</tr>
</tbody>
</table>

Source: Own table based on empirical data

The Swedish respondents indicated to perceive their country and the UK as close. Regarding the dimension language, they explained to be typically more exposed to the UK way of English, while they struggle with the Australian accent and because they are located in geographical proximity, they would have similar natural resources and hence a similar industrial development. Concerning political systems, the UK and
Australia ended up on the same rank, due to both countries having the same parliamentary system and the group explained the first rank of the UK in terms of previous colonial ties with historical happenings like the Vikings raiding the UK 800 years ago.

Talking about Australia, the group saw the most similarities concerning the psychic distance stimuli political system, religion and education system, the latter mainly because the group believed that Australians pour a lot of money into the educational system in a manner similar to Sweden. The discussion regarding the religion stimulus revolved primarily around its penetration level, as well as the several types. The Swedish described themselves as "very anti-religious", while they saw Russia, the UK and Australia as more religious than Sweden, with Australia still showing the most similarities. Furthermore, Australia’s agricultural industry and the large amount of natural resources were considered as significant for the decision to rank the country behind the UK in terms of industrial development. Regarding the factor previous colonial ties the group stated to not know about any connections to Australia.

Russia was determined as psychically close for the stimuli time zones and previous colonial ties, with a ranking just behind the UK. Talking about the industrial development, the group considered the country to still be an emerging market, while they had a lack of knowledge about the Russian education system. Russia ended up before China concerning the political system because the group mentioned that voting plays a role. In terms of the stimulus of previous colonial ties, the respondents mentioned the wars between Sweden and Russia 400 years ago, in which Sweden was able to take land from Russia, which they then again lost 100 years ago.

In terms of language, China was placed last, due to the Chinese’ use of a character system. It seemed to the respondents, that Chinese are very educated, that they have a rather strict system and that they "put a lot of effort into education". Nevertheless, it got ranked behind the UK and Australia for this factor because not everyone has access to education. Regarding the industrial development China was perceived as very different from Sweden due to the country’s very rapid recent development. Furthermore, the group perceived the country to have a dictator and a political system, that is based primarily on the choices of the members of the Communist Party. The
participants explained that they perceive the relevance of religion in daily life as similar in Sweden and China, but still ranked the country last because it’s traditions are of a completely different nature, for instance Christmas, Easter or the Chinese New Year. For the factor previous colonial ties, the group elaborated on trade interactions between China and Sweden both historically and in the past.

4.3.3 Influence of Psychic Distance on Preferences
The Swedish focus group participants ranked their retailer COO preferences as the following:

1. UK
2. Australia
3. China
4. Russia

First, some participants placed China on the last rank and explained this with concerns about working conditions in this country. Thereupon two respondents expressed disagreement, arguing that they would most like to purchase from China and the group decided to change the order. One stated: "It feels safer to buy from China somehow. I feel like it's probably made there anyway. I just feel like in Russia, it's not safe. It's less reliable... it's hard to put my finger on it". Regarding the ranking of the UK over Australia, the group expressed unanimous agreement that the decision is due to geographical proximity.

In order to test the strengths of the preferences in the previous ranking, the participants were asked how easily they could be convinced to buy from Russia, the country that was ranked as last. Three participants agreed that a very significant discount might incentivize them to purchase from a Russian retailer, but it must be worth the risk and one mentioned doubts about whether it would be enough to convince her to purchase over a UK retailer. One person would not check the retailer COO anyway, and would purchase from whichever website is perceived as most legitimate.

4.4 Russia
Russia, a country spanning across both Europe and Asia, has the world’s 21st largest eGDP. In Russia, 70% of the population uses the internet, however, only 25% of the
population engages in online purchasing. On a national level, Russian consumers tend to purchase clothing online the most, followed by information technology, and finally shoes & lifestyle items. In 2015, Russian consumers that purchase online each spent an average of $870 (ECommerce Foundation, 2016).

4.4.1 Consumer Nationality

Although all Russian focus groups participants have engaged in e-commerce in the past, all characterized themselves as low involved in that context. The group explained unanimously that it is not a common activity in Russia. Their main concern is to receive something other than what was shown in the picture, or simply not receiving the item altogether.

During their rare online shopping experiences, the Russian focus group respondents typically purchased smaller items such as books, devices, phone cases or make-up and accessories, one summing her purchases up as "nothing special". One respondent stated to purchase accommodation and plane tickets online. There was a seemingly unanimous agreement that there is avoidance to purchasing clothes online, due to uncertainty about the quality.

When discussing important factors during the selection of online retailers, there was a clear importance placed on feedback, either of other users, the respondent's close environment or experts. One participant said that she would even go out of her way to find out about owners of a shop by searching for them on social media. Additionally, the websites must have an easy to use structure as well as appealing and modern appearances, avoiding the "soviet" look. Furthermore, the group saw it as important for retailers to have their own distribution channel because the governmental post company in Russia is perceived as very unsafe, slow and unreliable.

When it comes to real life purchasing decisions, four of the five respondents would check the COO of the retailer for quality reasons before buying the product. One respondent would not actively search for it and only pays attention to it, if the information is visible on the main page of the website. Another one elaborated on the differentiation between the type of products. As everyone knows that cheap mass
products are normally manufactured in China, there is no interest in researching the retailer. Regarding upper-segment products, the retailer's COO is more important and usually influences the purchasing decision.

Talking about countries, that the Russian participants purchased the most from in the past, China was mentioned the most, especially the website AliExpress. Additionally, a relatively new and rapidly growing Russian retailer called Ozon was mentioned as well as the US company Amazon. In general, the group stated to order products with a low price from China, but when they are looking for quality the respondents prefer to go to traditional, physical shops instead of purchasing online "to make sure" or select retailers from the UK, US or even Australia. When the group got asked about countries they would avoid purchasing online from, the reply was that there are none.

4.4.2 Psychic Distance

Regarding psychic distances, the Russian focus group participants ranked their own country by default on the first place for each stimulus. All the rankings are displayed in Table 7.
The Russian respondents indicated to perceive themselves as psychically close to the UK, especially regarding the stimuli *language*, *political system* and *religion*. As British English is taught in the Russian *education system* and students learn about the British culture in schools and universities, the respondents ranked the UK before Australia. The stimulus pertained to *religion* was primarily based on a comparison of the main religions in each country. The respondents explained that the main part of Russia is orthodox and Christian, while the UK has many Catholics. As the British Empire was fighting with the Russian Empire about Middle Asia and the Stan-countries, the group assumed that the countries must have had an influence on each other but were not sure to what extent. However, the country got ranked just behind China for the dimension of *previous colonial ties*.

The Russian group explained that the Australian dialect and slang seems unfamiliar to them when they discussed the psychic distance stimuli of *language*. Regarding the
Australian *education system*, the participants pointed that they have a general lack of knowledge. During the discussion regarding the *industrial development*, the group compared the main industries of the countries and identified the mining sector for Russia as well as Australia. For the dimension *political system*, Australia was positioned behind the UK because the respondents perceive it as an independent country, but still to some extent under the control of the British queen. The participants believed that just like in the UK, Catholicism was the main *religion* in Australia. Concerning *previous colonial ties*, the Russian participants did not see any connection to Australia.

In terms of the factor *language*, all respondents perceived Chinese as the most different from their own. However, the *education system* stimuli ranking lead with China due to the country’s communist orientation. The respondents explained, that Russia used to be as well a communist country and is still very soviet in its mindset in terms of educating. One participant said: "To some degree we still live in a Soviet Union". Therefore, China took over a lot of elements from the former soviet system. Moreover, a lot of Chinese live and get their education in Russia. Talking about the *industrial development*, the group concluded that China relies mainly on its manufacturing industry, which is a major difference compared to Russia. Nevertheless, the respondents ranked the country as the closest, due to both being developing countries and more or less on the same economic level. In terms of the psychic distance stimuli *political system*, the group discussed in the beginning whether China was the closest to Russia. One respondent argued, that the Russian system can be characterized on an informal level as a form of totalitarianism, although it has formally a democracy. Therefore, it shares more similarities with the communist country China than with the democratic UK and Australia. However, the group finally ranked it closer to the latter ones, orienting their decision on the country having formally a democracy as well. Talking about *religion*, Taoism and Buddhism were considered the most relevant in China. As there are three different *time zones* within Russia, the ranking of this dimension proofed to be rather difficult. Because the respondents come from various parts of Russia, different *time zones* got compared and the ranking got corrected several times, depending on the perspective being of East Russia, West Russia or the capital Moscow. China was finally ranked the closest to Russia because the countries share borders. The discussion around the stimulus *previous colonial ties* brought up, that due to their shared borders, the
influence of Russia and China on each other in the past was rather high, especially for East Russia.

4.4.3 Influence of Psychic Distance on Preferences

The Russian focus group participants ranked their retailer COO preferences as the following:

1. UK
2. Australia
3. Russia
4. China

All participants showed a clear preference of products from Western countries like the UK or Australia and explained this with the perception of buying something prestigious and of high quality. They explained, that Russians trust in products of the UK and as well in products from Australia, because they are both developed countries. The geographical distance to Australia came up during the discussion, but much of the group indicated that this does not necessarily influence their willingness to order products from this country. Only one respondent disagreed, referring to worries about the delivery time and a lack of knowledge about Australia. China instead got moved straight away with unanimous agreement to the last rank and the participants joked about the term “made in China”, which connoted low quality. Despite this, one participant added, that the Chinese subsidiary of Alibaba.com called AliExpress is now very popular in Russia although the quality of the products is perceived as low.

Regarding factors, that would encourage the respondents to still order something from a Chinese retailer despite their clear dislike of that idea, the differentiation between types of products came up. The respondents would purchase low-cost products from China without a problem, but would be very difficult to convince when it comes to big ticket items. Their decision could be influenced by friends recommending something or if the product of interest is something that China manufactures very well and has a good reputation for. One respondent added: "We are too strict about China. All our iPhones are produced in China and a lot of good stuff is coming from there. It is just a stereotype. I might even prefer Chinese products over something Italian. It depends again on what I am buying, for example devices.". As factors, that could encourage the
group to buy from Russian retailers, the respondents mentioned same day delivery or campaigns to support Russian products and the Russian economy.

4.5 China

China, the largest country in the world in terms of population, has the world’s largest eGDP (ECommerce Foundation, 2016). In China, 51% of the national population uses the internet, and 36% of the population engages in online purchasing. On a national level, Chinese consumers tend to purchase home & garden products online the most, followed by clothing, and then shoes & lifestyle items (Ibid.). In 2015, Chinese consumers that purchase online each spent an average of $1,855 (Ibid.).

4.5.1 Chinese Consumer Background

All Chinese focus groups participants have engaged in online shopping, and six of them characterized themselves as being highly involved. They explained that it is very convenient in China, with shipping dates being as short as one day. However, since arriving to Sweden to live abroad, all have agreed that their online purchasing involvement has decreased. Two participants claim to be medium involved, what one of them defined as twice a month.

The group mentioned a wide range of products that they purchase in the virtual world, including clothes, cosmetics, books, pet goods, electronics, accessories, food or simply put, any goods unavailable in China. Two respondents proclaimed to purchase "everything" online.

When the conversation turned towards factors, that encourage the group to buy from a specific website, they explained that in general the options for choosing online retailers in China are quite low. Therefore, people purchase primary from large retailers such as Taobao, Alibaba and Jingdong. Other factors mentioned are quality, price, delivery time, delivery cost, as well as website design and the reputation of that shop. Two respondents stated that an official appearance as well as the aesthetics of online shops is essential for them to consider making a purchase. Two others value comments about the retailer from other customers.
Most of the focus group participants agreed that they do not typically examine the retailer COO when shopping online. They explained to pay more attention to the manufacturer or the brand of a product. One respondent described this as the following: “May be this kind of item is made in the UK, while the retailer is in the Netherlands. But basically, we don’t care about that Netherlands part. We only care about that it is made in the UK.” Another respondent explained that they typically know about the retailer COO because they use very specific platforms such as Taobao and Jingdong. However, if he would purchase from an unknown website, he would search for this information first. Three group participants added that they never search for the retailer COO.

In the past, the Chinese focus group participants purchased the primarily from Chinese and Japanese retailers. Two respondents mentioned South Korea, another mentioned purchasing cat equipment solely from Canada and one brought up France. When discussing retailers that they typically avoid, all participants agreed that current political issues would have a major influence on their purchasing behaviors. In these cases, nationalism takes precedence, and they will avoid buying from countries that may have political issues with China. One participant said that he would purchase from Russia, if it would have a positive impact on diplomatic relations and boost the economy of bordering region of China.

4.5.2 Perceived Psychic Distance

Regarding psychic distances, the Chinese focus group participants ranked their own country by default on the first place for each stimulus. All the rankings are displayed in Table 8.
The Chinese group felt psychically close to the UK in the dimension *language* as well as *industrial development*. Both Russian and English, the language of the UK and Australia, belong to a different language family than Mandarin, the main language of China. Hence, both were perceived as being far away. However, the focus group participants all speak English, and therefore ranked it as closer. Since the Chinese *education system* typically applies the British English, the respondents ranked the UK before Australia. Furthermore, the group considered the UK and Australia to be similar close regarding their *education systems*, as both countries have the same *"education industry"*. Two participants suggested to rank the UK before Australia because in their eyes most Chinese would choose the UK over Australia when it comes to studying abroad, but met disagreement by others. Concerning *political systems*, the UK and Australia were perceived as very different from China, mainly because both countries recognize the queen of England as their monarch. One respondent said: "*They have..."
their queen. We have a democratic political system.". In terms of time zones, the UK was perceived geographically clearly as the farthest away. Regarding the stimulus of previous colonial ties, the group explained the UK was determined to be closer to China than Australia. One respondent explained this with the fact that the UK colonized Hong Kong in the past.

In terms of the language factor, the Chinese focus groups explained an unfamiliarity with the slang and accent of Australian English. According to the participants, in terms of industrial development, the UK and Australia were more like China because their economies are seen as relatively stable, traditional, and "typical countries for industrial development". Nevertheless, Australia ended up on the rank behind the UK. The discussion revolving around the time zone stimulus was rather complex because there was a great divide on whether Australia or Russia should be ranked as closest to China. During the rather complex discussion, the respondents explained, that there are two time zones in China. However, most of China operates under "Beijing Time". A part of China called Xinjiang shares a border with Russia and operates under the same time zone. However, if Beijing time was compared to Moscow time, then the time different is very significant. In the end, both countries were tied together on the second rank.

4.5.3 Purchasing Preferences
The Chinese focus group participants ranked their retailer COO preferences as the following:

1. China
2. UK
3. Australia
4. Russia

Several very different ranking orders were suggested during the discussion. Three of the respondents suggested "UK, Australia, China and Russia", two of them wanted it to be "China, UK, Australia and Russia" and one participant had the preference "China, Australia, UK, Russia", explaining that Australia was geographically closer than the UK if it came to return shipping. Due to the wide disagreements within the group, a vote was taken regarding whether China or the UK should be ranked first. China won with five voices and afterwards, the rest of the ranking quickly fell into place.
The respondents, that preferred to purchase from a British retailer over a Chinese, explained this with the more restrictive legal system in the UK, that prevents product imitations. One of them elaborated further that "...although we assume that everything is made in China, you know there is a difference in the products. The products which are exported to other countries will be better than the products in China". Those, who voted for the Chinese retailer over the one from the UK, explained their behaviors mainly with the desire to boost their own economy. One respondent stated his believes, that purchasing domestically will bring motivation to Chinese employees. Another one referred to currently increasingly popular Chinese products, that make him think that it is "time [China] can do something". Another aspect that was mentioned is the easier return of products when ordering within China.

Next, the discussion came to factors that could influence the focus group participants to purchase from online retailers of Russian COO instead of China or the UK. Most of the group said, that they would only do it if the product was not available in other countries, or if it is a special national product of Russia like caviar. One respondent explained her point, that she would never purchase from a Russian retailer, with language barriers in case there is a problem with the product. All seemed to agree that a discount would not encourage them to purchase from Russia over the UK or China: "We have similar cultures because of the Soviet Union, we are influenced heavily by them. I still would not buy anything from Russia, unless it is traditional or very well designed. But a discount or something would not help.". One respondent expressed a different thought from the other focus group participants, stating he would purchase from retailers of Russian COO, because of "regional business cooperation, because [China and Russia’s] geographic area is near, and it is not about country development, but regional development". In his eyes, purchases from Russia can lead to a benefit for Chinese citizens as well.
5. Analysis

This section analyzes the empirical data of the preceding section using the thesis’ literature review and theoretical framework. This chapter is broken down into three major sections in accordance to the theoretical framework, including Consumer Nationality, Perceived Psychic Distance and Influence of Psychic Distance on Consumer Online Purchasing Behaviors. Within each major section, the developed and developing countries are separated into subsections.

5.1 Consumer Nationality

Through the conduction of five focus groups across five countries, it was uncovered that consumer nationality impacts consumer’s online purchasing behaviors significantly. This discovery came as no surprise, and is consistent with the works of Leidner and Kayworth (2006), whose study uncovered that national identity has an influence on consumer’s perceptions of the most effective ways to utilize information technology (IT), which in the context of this thesis, pertains to e-commerce. In their study, the researchers uncovered that national identity influences “IT development, adoption, usage and outcomes” (Ibid., p. 381). These findings are consistent with the results of the focus groups conducted. To illustrate, Chinese consumers expressed the highest level of adoption in online purchasing, followed by Sweden, Germany, France and finally Russia. Additionally, the consumers of each country demand different attributes when seeking online retailers. To illustrate, the Swedes reiterate the importance of free returns, the Germans valued ease of use, the French emphasize the importance of website familiarity, the Russians describe consumer feedback as paramount, and finally, the Chinese demand rapid delivery time. Aligning with the results of Leidner and Kayworth (2006), national identity was indeed found impact the way in which consumers use e-commerce differently. One small but interesting deviance from the work of these two researchers pertains to the type of products consumers utilize e-commerce for. Regardless of nationality, consumers seem to use e-commerce to purchase the same general products, which primarily include clothes, electronics, accessories, books, and so forth.
5.1.1 France, Germany and Sweden
Based on focus group discussions, consumer nationality evidently impacts consumer’s process of selecting retailer COOs, just as Amine and Shin (2002) and Kilduff and Núñez Tabales (2016) uncovered in their studies. For example, when describing their online purchasing habits, the French, German and Swedish consumers demonstrated a preference for purchasing from countries within European Union, especially British retailers such as ASOS, or Amazon UK. Even more preferably, French, German and Swedish consumers prefer purchasing within their own country borders. Therefore, this indicates that the lack of a psychic distance positively influences consumer purchasing behaviors in French, German and Swedish consumers. This strong preference for domestic products also demonstrates a high consumer ethnocentrism, which is typically found in developed countries such as the ones examined, meaning a belief that purchasing from abroad is “inappropriate”, “immoral” (Klein et al, 2005) Furthermore, correlates with a statement of Kilduff and Núñez Tabales (2016) that consumers tend to prefer national over international products.

Focus group participants described “trust”, an understanding of consumer protection laws, and geographic proximity as reasons for preferring European, or even better, domestic retailers. Across all three focus groups, at least one participant described using Chinese retailers, especially AliExpress, to make online purchases. However, it was often made clear that Chinese online retailers were reserved for lower-priced or “experimental” items, due to perceptions of unreliability. These results align roughly with the work of Okechuku and Onyemah (2000), who proclaimed that developed countries tend to prefer products of their own country most, followed by products from other developed countries, with products from developing countries as least preferred.

5.1.2 Russia and China
In contrast to the European Union countries examined, Russian consumers did not display a strong preference for purchasing within Russian borders. Partially, this was explained that the e-commerce landscape in Russia is still in its development stages. Russian consumers explained that part of the reason for low e-commerce involvement in Russia is due to the poor postal infrastructure in Russia, which services was described as both unreliable and time consuming. There is hesitancy for Russian consumers to
purchase within their own borders, and it was explained that they most frequently purchase from online retailers like Ali Express (part of Chinese retailer Alibaba), Amazon (an American retailer), and sometimes Ozon (Russian retailer). According to the work of Durvasula et al. (1997), Russian consumers have a low level of ethnocentrism, and displayed a far higher level of acceptance to foreign products than consumers of developed countries. This argument is further supported by Puzakova et al. (2010), whose studies showed that Russian consumers display lower levels of consumer ethnocentrism than developed countries.

Chinese focus group participants all typically purchase from Asian retailers, with the vast majority of purchases being from Chinese online retail giants such as Jingdong, Alibaba and Taobao. According to the work of Klein et al. (2006), Chinese consumers display the same level of ethnocentrism as consumers of developed countries, which likely explain the Chinese consumers’ high dedication to good within their own borders. Furthermore, the development level of e-commerce in China is likely quite high, based on the high involvement of consumers in e-commerce, as well as the international success that Chinese retailers like Alibaba have achieved abroad.

5.2 Perceived Psychic Distance

By aggregating focus groups perceptions of psychic distance in terms of each individual psychic distance stimulus, generalizations regarding overall psychic distance can be derived. As the study by Dow and Karunaratna (2006) demonstrated, the seven psychic distance stimuli that are examined in this thesis are the most significant influencers of international trade flows. Based on the rankings regarding each of the psychic distance stimuli, a general psychic distance ranking regarding each country was concluded (Table 9). As explained in the methodology chapter, these overall rankings were determined by adding assigned numbers in accordance to the rankings of each country for each psychic distance stimuli. The lower the score of, the psychically closer the focus group country examined perceived this retailer COO to be. The French, German and Swedish focus groups have similar perceptions of psychic distance regarding all four retailer COOs, while the Russian and Chinese focus groups’ results are varied.
5.2.1 France, Germany and Sweden

The UK was perceived as psychically closest by France, Germany and Sweden, due to factors such as focus group participants mentioning they were educated in British English (*language*), geographic proximity (reflected in *time zones*), and perceptions of similar *Educational* and *Political Systems*. Australia is ranked by all three as the second closest in terms of psychic distance despite vast geographic distances between the European and Australian continents. Many of the factors that contributed to the perceived short distance between Australia and the three countries examined pertained to *Language, Education* and *Political Systems*. However, factors such as *time zones* and *previous colonial ties* were ranked by all as being consistently distant. According to Dow and Karunaratna (2006), the psychic distance stimuli of *previous colonial ties* can significantly correlate with other psychic distance stimuli such as *language* and *political systems*. It is likely that the *previous colonial ties* between Australia and the UK, a country which all three nationalities perceived as psychically close, are powerful enough to shorten perceptions of psychic distance between Australia and the three EU countries examined.

---

Table 9: Overall Psychic Distances

<table>
<thead>
<tr>
<th>Focus Group Country</th>
<th>Overall Psychic Distance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>UK (8)</td>
<td>Australia (15)</td>
</tr>
<tr>
<td>Germany</td>
<td>UK (7)</td>
<td>Australia (16)</td>
</tr>
<tr>
<td>Sweden</td>
<td>UK (9)</td>
<td>Australia (15)</td>
</tr>
<tr>
<td>Russia</td>
<td>Russia (7)</td>
<td>UK (19)</td>
</tr>
<tr>
<td>China</td>
<td>China (7)</td>
<td>Russia (17)</td>
</tr>
</tbody>
</table>

Source: Own table based on empirical data
Consumers of France, Germany and Sweden nationality, three developed countries, perceived the potential retailer COOs of the UK and Australia, two other developed countries, to be psychically closest. This finding is likely not a mere coincidence, because the psychic distance stimuli of industrial development significantly correlates with the psychic distance stimuli of democracy (political system) and education (Dow and Karunaratna, 2006). According to Blomkvist and Drogendijk (2013), this phenomenon makes “intuitive sense”, as “industrialized countries are generally understood to have high degrees of education as well as democracy” (p.674), a description that applies to all five of the countries concerned.

The first three focus groups all determined Russia and China as psychically distant, with the two countries typically ranked as most or second-most psychically distant for each of the stimulus. The most significant exception to this is in regard to time zones, which all ranked Russia as second closest, as well as previous colonial ties, which Germans and Swedes ranked as second closest. The argument for why the UK and Australia are psychically close can also be applied to why Russia and China, two developing countries, are psychically distant. Consistently, China and Russia took the most distant rankings in terms of industrial development, political system and education, which as Dow and Karunaratna (2006), are heavily correlated stimuli.

5.2.2 Russia and China

The results of the Russian focus group varied from the European Union countries previously studied. Russian respondents unsurprisingly perceived their own country as psychically closest, followed by the UK, China, and Australia. The rankings between China and the UK were very close, with UK being marginally psychically closer than China. It is likely that China is ranked as relatively close to Russia due to their statuses as developing countries, as well as heavy historical interactions (as defined in this study as previous colonial ties), which, as Dow and Karunaratna (2006) described, can be antecedents to other psychic distance stimuli. It is worth noting that China was definitively ranked as farthest from Russia in terms of political systems, and the UK is ranked as closest. This seemed counterintuitive, as Russia’s political system was heavily influential on China’s, and its impacts arguably still linger today. One focus group member clarified that this ranking is more reflective of ideology rather than
reality, and therefore, it is possible that the political system ranking skewed overall psychic distance assessments.

The Chinese focus group, as can be assumed, perceived their own country to be psychically closest, followed by Russia, then the UK and Australia. Again, many of the historical interactions between Russia and China have likely contributed the Chinese’ perceptions of psychic closeness with Russia. Due to their statuses as two industrially developing countries, China’s ranking of Russia as closest in the context of educational system and political system was likely correlated (Dow and Karunaratna, 2006). Perceptions of industrial development (based on the strong economies) and language (due to education in British English), influenced the overall perceptions of the UK to be third. In all stimuli other than time zones, Australia was either ranked or tied for most distant.

5.3 Influence of Psychic Distance on Consumer Online Purchasing Behaviors
The final part of the framework pertaining to this thesis is examining the impact of the previously assessed psychic distances on the purchasing behaviors of consumers. As described in the literature review, the higher the psychic distance level, the greater the inhibition of trade (Child, 2002; Johanson and Vahlne, 2009; Dow and Karunaratna, 2006). In the context of this thesis, this phenomenon suggests that a higher psychic distance between consumer nationality and retailer COO should lead to a higher avoidance in consumer online purchasing behaviors (Dow and Karunaratna, 2006). In the preceding sections, empirical data regarding consumer nationalities and psychic distances were analyzed based on theory. The following section aims to compare the previously assessed perceived psychic distances with the purchasing preferences of consumers.

5.3.1 France, Germany and Sweden
In Table 10, the comparisons of psychic distance and purchase preferences for first three focus groups containing France, Germany and Sweden are presented.
Based on examining the results of the French, German and Swedish consumer’s purchasing preferences, the results seem to be relatively to be alignment with the overall perceived psychic distances that were presented in the previous section. The UK, which all three countries ranked as psychically closest, enjoyed the ranking as most preferred retailer COB. The psychic distance stimuli of language was a significant contributing factor of preferring online retailers form the UK, as consumers vocalized concerns for language problems that may arise while using retailers with other COOs. This importance of the psychic distance stimuli of language is consistent with the results of Safari et al. (2013), who concluded that language is the most significant hindering factor psychic distance, despite most IOVs being multilingual. To corroborate this preference, there were consumers from all three focus groups that indicated experience purchasing from British retailers, due to a closer geographic distance, as well as a general feeling of safety and trust. These results correlate to that of Safari et al.’s (2013) study, which findings indicate that Swedish consumers find other psychically close countries such as the UK and Great Britain to be “trusted and seen as rather safe, thanks
to culture, language, political systems, and norms and values being similar to Sweden” (p.239).

Australia was ranked as second most preferred retailer COO by all countries, aligning with their ranking as the second most psychically distant. Prior to the ranking activities, in all focus groups, the vast geographic distance between the continents of Australia and Europe were discussed as a major concern for online purchasing, due to perceptions of long delivery time, long return times, and ecological footprint. The aversion focus group participants articulated to Australian retailer COOs based solely on the factor of geographic distances refutes Cairncross’ (2001) argument regarding the Internet bringing forth the death of distance. However, the relevance of geographic distances seemed to diminish when it came to actual rankings of preferred retailer COOs, and Australia was selected by all three focus groups as second most preferred. According to Dow and Karunaratna (2006), geographic distance is the most significant trade inhibitor, almost twice as influential as the sum of all psychic distance stimuli. The results of this study begged to differ, as despite the vast geographic distances between Europe and Australia, the consumers examined still showed a purchase from the psychically closer retailer of Australia over the geographically closer Russia. Therefore, the results of this study seem to align more with the findings of Safari et al. (2013), who found geographic distance to be the “least hindering” factor or psychic distance (p.246).

The retailer COO preferences began to deviate from psychic distance rankings in deciding between China and Russia. Although all three countries unanimously perceived Russia as psychically closer than China, the French and Swedish expressed a preference for China over Russia, while Germans expressed no preference between the two. According to the theoretical framework that was created, higher psychic distance should serve as a trade inhibitor, meaning that the consumers should have theoretically displayed a higher aversion to Chinese retailers (Child, 2002; Johanson and Vahlne, 2009; Dow and Karunaratna, 2006). The preferences the consumers had for Chinese consumers was demonstrated when multiple participants mentioned experiences purchasing from Chinese online retailers, especially AliExpress, a subsidiary of Alibaba. A Swedish focus group participant articulated during their focus group, “most products are made in China anyway”, a sentiment that seemed to be shared
by many of the consumers examined. On the other hand, no focus group participants mentioned experiences either encountering or purchasing from Russian online retailers.

The favorability that the French, German and Swedish consumers expressed for retailers of Chinese COO, despite a longer perceived psychic distance is consistent with results of the work by Ahmed and d’Astous (2007). According to the two researchers, consumers are often more familiar with products of Chinese COO, and there is a “positive correlation between familiarity and the COO perceptions of products made in China, a developing and newly emerging country” (Ibid., p. 245). Furthermore, they theorize that there is a possibility that the “symbolic association of China with a future economic power may perhaps explain why China is perceived as more favorably” (Ibid., p.244). In essence, the familiarity factor of the Chinese retailer COO may be strong enough to overcome the power of psychic distance in influencing consumer purchasing behaviors.

5.3.2 Inclusion of Developing Countries

Based on the results from the first three focus groups, there is an indication that psychic distance is a relatively strong moderator of purchasing behaviors, with longer psychic distances negatively influencing consumer purchasing behaviors. This result aligns with the work of Safari et al. (2013), who through the examination of Swedish focus group participants, determined that “psychic distance has a profound impact on consumers’ behavior in the international online setting in a general sense” (p.244). The exception to the rule may the observance of the familiarity factor that the Chinese retailer COO enjoys, due to its status as an internationally recognized manufacturing powerhouse (Ahmed and d’Astous, 2007).

Due to the abductive nature of this study, the theories in the literature review were revisited after the data from the first three focus groups were collected. France, Germany and Sweden are indeed psychically close to the UK and Australia, and as developed countries, the stimulus of industrial development is psychically close between them. The industrial development stimulus, as previously described, influences other psychic distance stimuli such as educational system and political system, making these countries psychically closer. If the theoretical framework
of this study is accurate, then it should be this short psychic distance between these
countries that explains the preference French, German and Swedish consumers have
for retailers of UK and Australia COO.

However, according to Okechuku and Onyemah (2000), developed countries tend to
prefer products of their own country most, followed by products from other developed
countries, and then finally from developing countries. This was clearly illustrated in the
empirical results, with consumers of these countries demonstrating their preference for
purchasing within their own borders, then with the EU, with developing countries as
least preferred. Similar results were yielded from the works of Safari et al. (2013), who
through their study, examined only Swedish consumers, and found they preferred
products from countries with low psychic distance, including the examples of
developed countries such as the “Nordic countries, Great Britain, the USA, Canada,
Australia, and Germany”, who were seen as “trusted” and “safe” (p.239). However,
according to Okechuku and Onyemah (2000), developing countries also have the
tendency to perceive products from developed countries more favorably than domestic
products, or products from other developing countries (Ibid.). This preference is due to
an associated perception of superior quality with goods coming from developed COOs,
which is shared by consumers regardless of the development level of their country
(Ibid.). Therefore, the researchers grew concerned that the major influencer of
purchasing behaviors found in the first three focus groups was psychic distance, but
rather a general preference for developed retailer COOs shared by consumers of both
developed and developing countries (Okechuku and Onyemah, 2000).

Therefore, based on the previous results, it was determined that would be necessary to
broaden the scope of the research to include the developing countries of China and
Russia. In the Chinese and Russian focus groups, the consumers were examined
regarding their preferences of the same four retailer COOs as the first three focus
groups, but in this case, one of COOs will be domestic. If this study is indeed shows
the impact of varying levels of psychic distance, then the purchasing preferences of
Russia and the UK should also align with the rankings of psychic distance, possibly
with the exception of the Chinese COO being preferred due to the familiarity factor
(Ahmed and d’Astous, 2007). Therefore, Russian and Chinese consumers, with no
psychic distance with domestic retailer COOs, should most prefer their own country as
a retailer COO, followed by the second psychically closest country. However, if the Chinese and Russian focus groups, just like the first three focus groups, rank developed countries as most preferred retailer COOs, and the developing countries as least preferred, then there is the possibility that other factors such as development level of retailer COO are eclipsing the effects of psychic distance.

5. 3. 3 Russia and China

After the focus groups with Russian and Chinese consumers were conducted, the comparisons between perceived psychic distance and purchasing preferences were derived, and presented in Table 11.

Table 11: Psychic Distance vs. Purchasing Preferences (Russia and China)

<table>
<thead>
<tr>
<th>Round 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
</tr>
<tr>
<td>Psychic Distance (Closest → Farthest)</td>
</tr>
<tr>
<td>Purchase Pref. (Most → Least)</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>Psychic Distance (Closest → Farthest)</td>
</tr>
<tr>
<td>Purchase Pref. (Most → Least)</td>
</tr>
</tbody>
</table>

Source: Own table based on empirical data

Starting with the Russian focus group results, it was found that there is little correlation between psychic distance and the ranking of purchasing preferences. In fact, the results for the Russian focus group seem to align with the arguments by Okechuku and Onyemah (2000), with the consumers displaying a preference to purchasing from developed countries over developing countries, regardless of psychic distance. Except for Russia, the UK was perceived as the country with the closest psychic distance to Russia. However, Australia, which the Russian participants ranked as the most psychically distant was the second most preferred retailer COO after the UK. For both
of UK and Australian COOs, Russian focus group participants articulated an association of higher quality products, which shows alignment with the works of Okechuku and Onyemah (2000), who found consumers of less developed countries perceive products from developed countries as more favorably than domestic products or goods from other developing countries. This idea was confirmed when the Russian consumers ranking their own country as the third preferred retailer COO after the UK and Australia, despite the complete lack of psychic distance. Unlike the previous focus groups containing consumers from the EU, Russian consumers preferred purchasing from online retailers with a Russian COO than a Chinese COOs.

The results of the Chinese focus group differed significantly from the results of the Russian focus groups in one major way. The Chinese focus group perceived their own country as psychically closest, and ranked their own country as the most preferred retailer COO. However, when the remainder of the purchasing preference results are examined, the impact of psychic distance on purchasing behaviors diminishes. To illustrate, with itself as the exception, Chinese consumers perceived Russia as the most psychically close country, but then determined it was the least preferred retailer COO. On the other hand, the UK and Australia, two most psychically distant countries, were selected as the second and third most preferred retailers. Some of the Chinese focus group participants articulated quality concerns with domestic products, as illustrate by the belief expressed by one participant that the best products are exported. There was a relatively clear consensus in the Chinese focus group that the UK and Australia are associated with higher quality goods. Despite the quality considerations, the Chinese still determined their own country as the most preferred retailer COO.

Consumer ethnocentrism is a likely explanation for why Russian participants did not rank their own country as the most preferred retailer COB, while the Chinese participants did. According to the work of Durvasula et al. (1997), Russian consumers have a low level of ethnocentrism, and display a far higher level of acceptance to foreign products than consumers of the United States, a developed country. This argument is further supported by Puzakova et al. (2010), whose studies showed that Russian consumers display lower levels of consumer ethnocentrism than developed countries. This phenomenon may explain why the Russian consumers examined in this study ranked themselves as the third preferred COO in this study, while the consumers of the
developed countries most preferred retailers of domestic COOs. Therefore, the albeit low levels consumer ethnocentrism demonstrated Russian consumers in the study by Durvasula et al. (1997) may explain why the Russian participants preferred purchasing from an online retailer of Russian COO rather than Chinese, which is a deviance from the first three focus groups, likely attributable to the familiarity factor (Ahmed and d’Asous, 2007).

These results of the Chinese focus group can also be attributed to consumer ethnocentrism, and relates to the work of Klein et al. (2005), who explained that Chinese consumers display the same level of ethnocentrism as consumers of developed countries. However, despite their strong ethnocentrism, Chinese consumers still hold the same belief as Russian consumers regarding the superiority of foreign goods (Ibid.). This is significant to the results of the Chinese focus groups conducted, as many respondents clearly associated products of UK or Australia origin of high quality, but still chose China as the most preferred retailer COO.

In summary, it is unclear whether (1) the influence of psychic distance on consumers purchasing behaviors of developed countries stronger than on developing countries, or (2) the influence of psychic distance on consumer purchasing behaviors are overpowered by other factors, including a general preference of consumers for products of developed COOs, regardless of nationality. Through the analysis process, it was determined that in addition to psychic distance (Dow and Karunaratna, 2006; Safari et al, 2013), familiarity of retailer COO (Ahmed and d’Asous, 2007), consumer nationality development level (Okechuku and Onyemah, 2000), development level of retailer COO (Ibid.), and consumer ethnocentrism (Klein et al, 2006; Puzakova et al, 2010; Durvasula et al., 1997) are all likely to be factors that directly influence consumer purchasing behaviors.
6. Conclusion

The conclusion ties together the preceding segments of the thesis in order to answer the research questions that this thesis sought out to answer. Furthermore, theoretical and managerial implications derived from this research are presented. Finally, the limitations of this study, as well as future research opportunities will be disclosed.

6.1 Answer to Research Questions

6.1.1 Research Question 1

The first question that this thesis aimed to answer is: "How do varying levels of perceived psychic distance impact the online purchasing behaviors of consumers?"

Based on existing literature regarding psychic distance, retailer COO and consumer nationality, a theoretical framework as depicted in Figure X, was developed. According to the framework, varying levels of psychic distance will impact consumer purchasing behaviors differently, with longer psychic distances likely being a strong inhibitor of consumer purchasing. After conducting focus groups and analyzing the empirical data gathered through the lens of the theoretical framework, the answer to this question is determined as inconclusive:

1. Psychic distance seems to be a strong inhibitor of trade for developed countries, illustrated by the fact that language concerns and political systems were cited as psychic distance stimuli for the consumers examined. For most consumers, psychic distance levels correlated roughly with retailer COOs, apart from the Chinese COO, likely due to the familiarity factor for products that originate from China.

2. The influence of psychic distance on developing countries is less clear. Varying levels of psychic distance do not seem to have a direct impact on consumers’ online purchasing preferences.

3. The impact of varying levels of perceived psychic distance on consumer online purchasing behaviors is inconclusive. Perceived psychic distances seem far more influential on the purchasing behaviors of consumers of developing countries rather than consumers of developing countries. Therefore, a definitive answer on the general impact of varying levels of psychic distance on consumer purchasing behaviors cannot be derived.
6.1.2 Research Question 2

The second research question that this thesis is a continuation of the first research question, and is as follows: “How does the impact of perceived psychic distance on purchasing behaviors vary based on consumer’s nationality?” The answer to this question was indirectly responded to when seeking the answer to the first research question. However, the answer to the second research question is more clearly articulated as follows:

1. Consumers of developed countries articulated impacts of psychic distance more significantly than developing countries. The consumers of developed countries examined most prefer products within their own borders (no psychic distance), then products of other developed countries (low psychic distance), and least prefer products from developing countries (high psychic distance). Therefore, developed country consumers were highly ethnocentric, prefer developed country products, and seemed highly influenced by psychic distance.

2. Consumers of developing countries examined seem far less influenced by varying levels of psychic distance. Instead, they are most influenced by the development level of the retailer COO, as well as consumer ethnocentrism within their own country. Both Chinese and Russians consumers displayed the same perceptions of high quality of foreign products, and quality concerns for domestic products. However, varying levels of consumer ethnocentrism of each country had influential roles on whether consumers purchased within their own borders despite negative perceptions of domestic goods.

6.2 Theoretical Implications

The major finding from this thesis is that the development level of a consumer’s nationality is a significant factor that moderates the online purchasing behaviors of consumers, especially in terms of the influence of other factors such as psychic distance. Developed country consumers are strongly impacted by psychic distances, with longer psychic distances (based on the conceptualization of Dow and Karunaratna, 2006) negatively affecting their purchasing behaviors. Retailer COO development level is a significant influencer, with consumers demonstrating a positive preference for
purchasing from other developed countries, which aligned with the findings of Okechuku and Onyemah (2000). Furthermore, as the findings Klein et al. (2006) stated, developed country consumers are strongly ethnocentric; displaying a positive preference for purchasing from online retailers within their own country borders the most. Finally, the preference that consumers displayed towards retailers of Chinese COO above Russian COO despite longer psychic distance, is likely attributable to a higher familiarity level, as explained by Ahmed and d’Asous (2007). Due to the unique impacting factors uncovered that have influencing impacts on purchasing behaviors of developing countries, a revised framework for developed countries is created (Figure 3)

![Figure 3: Revised framework for developed countries](image-url)
Source: Own figure based on literature review and empirical data

On the other hand, based on the results of this study, developing countries’ consumers are most heavily influenced by retailer COO development level. A preference for developed COOs above domestic or other developing COOs was displayed, consistent with the findings of (Okechuku and Onyemah, 2000). Furthermore, consumer ethnocentrism makes a positive impact on consumer behaviors, with Chinese consumers far more ethnocentric than Russian consumers, a finding that parallels to work of Klein et al. (2006) The impacts of consumer familiarity and psychic distance were found to have little to no influence on the purchasing preference of developing
country consumers, and therefore their impacts were determined as inconclusive. Based on the factors influencing consumer purchasing preferences of developing countries, a second revised theoretical framework Figure 4 was developed.

The additional influencing factors of consumer purchasing behaviors found, as well as possible varied influences of psychic distances on developed vs. developing countries signify that this topic offers much potential for future research.

6.3 Managerial Implications
The results of this study can offer beneficial insights to online retailers that are international, or aiming to internationalize their operations. First, it is important to note that consumer’s nationalities have moderating effects on how factors like psychic distance, consumer ethnocentrism, and retailer COO familiarity influence their online purchasing behaviors. Therefore, online retailers must understand that it is necessary to approach consumers of various nationalities with nuanced marketing approaches. Second, psychic distances have a more noteworthy influence on the purchasing
behaviors of consumers from developed countries. Due to this, online retailers should be warier of the influence of psychic distances when considering expansion into developed countries, and mitigate these impacts accordingly. Next, consumer ethnocentrism is a key factor for consumers of developing countries and consumers of China. Therefore, retailers with developing or Chinese COOs should take advantage of consumer ethnocentrism in their domestic markets. Finally, the online retailer’s COO and its development level is very influential on consumer purchasing behaviors, because consumers, regardless of nationality indicate a preference for developed retailer COOs. Therefore, online retailers of developed countries should aim to exploit the advantage of having a developed country COO in all markets, regardless of their level of development. On the other hand, online retailers of developing COO should be cautious in their marketing activities, as they often face disadvantages both abroad and domestically.

A case of a retailer that successfully mitigated the effects of their developing COO is the example of Chinese retailer Alibaba. In all the focus group countries examined, regardless of development level, at least one consumer mentioned experiences purchasing from Alibaba. Despite an aversion to Chinese retailer COOs displayed by consumers of all nationalities except the Chinese consumers themselves, it is interesting that Alibaba has been able to gain international success in both developed in developing markets. Therefore, online retailers of developing COO can use Alibaba as a case which effective international marketing strategies can be derived from.

6.4 Limitations
The primarily limitations of this thesis lie in the small sample size of subjects, the sampling process, and the assessment tactics for overall psychic distance. As the focus groups ranged from five to eight participants per country, a relatively small number of people were used to make broad generalizations regarding the countries. Next, all the consumers examined in the study all roughly fall into the “millennial generation”, and are highly educated, either bachelor level or master’s level international students at a Swedish university. Therefore, their knowledge levels and perspectives are likely not proportionally representative of all demographics in their countries. Additionally, as described in the methodology, the focus group participants came up with psychic
distance rankings in consensus with one another, meaning some opinions may have been lost in the process. Finally, more nationalities and retailer COOs could have been examined. Due to the exploratory nature of this thesis, many of the limitations can be easily overcome in future research opportunities as described in the following section.

6.5 Suggestions for Future Research

Due to the significant research gaps that remain regarding the impact of psychic distance on consumer behaviors, especially in the online retail context, there is a plethora of knowledge that is still yet to be uncovered through future research. This thesis, exploratory in nature, has taken on a small sample size to generalize regarding online purchasing behaviors of entire countries. Future research opportunities can be quantitative in nature, and reach out to broader samples of people of more nationalities, both developed and developing, through surveys or questionnaires. These respondents should be representative of demographics within their countries. Assessments of psychic distance can be more nuanced, with multiple questions asked for each psychic distance stimuli, and each weighted according to the findings of Dow and Karunaratna (2006). By expanding the sample size, more generalizable results can help draw more definitive conclusions regarding the impact of psychic distance on consumer purchasing preferences.

Another research opportunity lies in combining the factors determined in this thesis to influence consumer online purchasing behaviors. In conjunction with psychic distance, these factors include the development level of retailer COO, development level of consumer nationality, retailer COO familiarity and consumer ethnocentrism. By seeking operationalizing future research studies with these concepts in conjunction with one another, more nuanced results can be drawn in the subject of psychic distance.

In summary, the authors have two suggestions for future research:

- Execution of a quantitative study in this field to allow generalizations and definite conclusions
- Further exploration of the psychic distance construct in conjunction with
  - Development levels of retailer COO and consumer nationality
  - Consumer ethnocentrism
• Retailer COO familiarity
References


Kitzinger, J. (1994). The methodology of Focus Groups: the importance of interaction between research participants. *Sociology of Health & Illness*, 16 (1), pp. 103-121.


Wu, J. and Li, Y. (2016). Understanding the online channel extension of traditional retailers: Online-offline and online-prototypical congruence. *SHS Web of Conferences, (24).*


## Appendix

Appendix A: Psychic Distance Stimuli (Dow & Karunaratna, 2006)

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Language</td>
<td>Similarities in languages allow efficiencies in communication. Therefore firms tend to remain within their language groups during their initial expansion to decrease risks. Differences in languages tend to increase the cost as well as the risk for a transaction.</td>
</tr>
<tr>
<td>(2) Education</td>
<td>The education system influences the way in which people communicate and interpret information. Large differences in education levels increase the risk as well as uncertainty of both parties and hinder a proper understanding and communication.</td>
</tr>
<tr>
<td>(3) Industrial Development</td>
<td>The nature of employment, as well as the employment of parents, shapes a person’s way of communicating and interpreting information. Furthermore, the nature of economies and thus the level of economic development influence the norms of B2B communication and interaction. Differences cause extra costs and uncertainties.</td>
</tr>
<tr>
<td>(4) Political systems</td>
<td>Differences in political systems show impact in two ways. First, most industries contain a large amount of business-to-government and government-to-business communication. Hence differences increase costs and uncertainty of these communications. Secondary, governments influence B2B and B2C interactions (e.g. the enforcement of contracts or the monitoring of anti-competitive behavior). Foreign firms risk misjudging how governments are likely to react in specific situations as well as how other companies might react in case of government interventions.</td>
</tr>
<tr>
<td>(5) Religion</td>
<td>Religion is closely associated with culture, attitudes and norms. It creates a foundation upon which people assess whether certain behaviors are desirable and acceptable and many languages use religious metaphors. Moreover, it is considered a major component of conflict between different cultural groups. As a result differences in religion increase transaction costs as well as the risk of misunderstandings.</td>
</tr>
<tr>
<td>(6) Time Zones</td>
<td>Differences in time zones create uncertainty about the ability for rapid communication despite the advances in telecommunications and the related cost reductions. The main problem is small or non-existent overlaps in working hours (e.g. between cities such as Singapore and London).</td>
</tr>
</tbody>
</table>
Colonial links are antecedent to factors such as differences in languages and political systems. An example is the British Commonwealth, where geographic distance and psychic distance diverge.

Appendix B: Focus Group Participant Profiles

Table 12: French Focus Group Participant Profiles

<table>
<thead>
<tr>
<th>French Participant # (FP#)</th>
<th>Gender (M/F)</th>
<th>Age</th>
<th>Online Purchasing Involvement (Hi/Med/Lo)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FP1</td>
<td>F</td>
<td>23</td>
<td>High</td>
</tr>
<tr>
<td>FP2</td>
<td>M</td>
<td>26</td>
<td>Low</td>
</tr>
<tr>
<td>FP3</td>
<td>M</td>
<td>24</td>
<td>Low</td>
</tr>
<tr>
<td>FP4</td>
<td>M</td>
<td>24</td>
<td>Medium</td>
</tr>
<tr>
<td>FP5</td>
<td>F</td>
<td>21</td>
<td>Medium</td>
</tr>
<tr>
<td>FP6</td>
<td>F</td>
<td>25</td>
<td>Low</td>
</tr>
<tr>
<td>FP7</td>
<td>F</td>
<td>20</td>
<td>N/A</td>
</tr>
<tr>
<td>Overall</td>
<td>M: 3, F: 4</td>
<td>23-26 Median: 24</td>
<td>High: 1, Medium: 2, Low: 3, N/A: 1</td>
</tr>
</tbody>
</table>

Source: Own table based on empirical data

Table 13: German Focus Group Participant Profiles

<table>
<thead>
<tr>
<th>German Participant # (FP#)</th>
<th>Gender (M/F)</th>
<th>Age</th>
<th>Online Purchasing Involvement (Hi/Med/Lo)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GP1</td>
<td>F</td>
<td>26</td>
<td>Medium</td>
</tr>
<tr>
<td>Swedish Participant # (FP#)</td>
<td>Gender (M/F)</td>
<td>Age</td>
<td>Online Purchasing Involvement (Hi/Med/Lo)</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------------</td>
<td>-----</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>SP1</td>
<td>F</td>
<td>23</td>
<td>High</td>
</tr>
<tr>
<td>SP2</td>
<td>M</td>
<td>28</td>
<td>High</td>
</tr>
<tr>
<td>SP3</td>
<td>M</td>
<td>24</td>
<td>Medium</td>
</tr>
<tr>
<td>SP4</td>
<td>F</td>
<td>26</td>
<td>High</td>
</tr>
<tr>
<td>SP5</td>
<td>F</td>
<td>23</td>
<td>Medium</td>
</tr>
<tr>
<td>SP6</td>
<td>F</td>
<td>23</td>
<td>Medium</td>
</tr>
<tr>
<td>SP7</td>
<td>F</td>
<td>22</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Own table based on empirical data
Overall | M: 2  
F: 5  
Total: 7 | Range: 22-28  
Median: 23 | High: 4  
Medium: 3  
Low: 0

Source: Own table based on empirical data

Table 15: Russian Focus Group Participant Profiles

<table>
<thead>
<tr>
<th>Russian Participant # (FP#)</th>
<th>Gender (M/F)</th>
<th>Age</th>
<th>Online Purchasing Involvement (Hi/Med/Lo)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RP1</td>
<td>M</td>
<td>24</td>
<td>Low</td>
</tr>
<tr>
<td>RP2</td>
<td>F</td>
<td>23</td>
<td>Low</td>
</tr>
<tr>
<td>RP3</td>
<td>F</td>
<td>22</td>
<td>Low</td>
</tr>
<tr>
<td>RP4</td>
<td>F</td>
<td>26</td>
<td>Low</td>
</tr>
<tr>
<td>RP5</td>
<td>M</td>
<td>21</td>
<td>Low</td>
</tr>
<tr>
<td>Overall</td>
<td>M: 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F: 3</td>
<td></td>
<td>Range: 21-26</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Median: 23</td>
</tr>
</tbody>
</table>
|                             |              |     | High: 0  
Medium: 0  
Low: 5 |

Source: Own table based on empirical data

Table 16: Chinese Focus Group Participant Profiles

<table>
<thead>
<tr>
<th>Chinese Participant # (#)</th>
<th>Gender (M/F)</th>
<th>Age</th>
<th>Online Purchasing Involvement (Hi/Med/Lo)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CP1</td>
<td>F</td>
<td>23</td>
<td>High</td>
</tr>
<tr>
<td>CP2</td>
<td>F</td>
<td>23</td>
<td>High</td>
</tr>
<tr>
<td>CP3</td>
<td>F</td>
<td>25</td>
<td>High</td>
</tr>
<tr>
<td>CP4</td>
<td>F</td>
<td>24</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>CP5</td>
<td>F</td>
<td>23</td>
<td>High</td>
</tr>
<tr>
<td>CP6</td>
<td>M</td>
<td>32</td>
<td>High</td>
</tr>
<tr>
<td>CP7</td>
<td>M</td>
<td>24</td>
<td>Medium</td>
</tr>
<tr>
<td>CP8</td>
<td>M</td>
<td>24</td>
<td>Medium</td>
</tr>
</tbody>
</table>
| Overall | M: 3  
F: 5  
Total: 8 | Range: 23-32  
Median: 24 | High: 6  
Medium: 2  
Low: 0 |

Source: Own table based on empirical data
Appendix C: Operationalization - Backpack

Source: www.sgtrendhunter.com