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Sources of Global E-Tail Advantage: Relationships among Orientations, Resources, and Performance

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Summary

Retail e-commerce continues to grow as an important channel of distribution in the global business environment. Annual U.S. e-tail sales revenue growth of 22.2 percent between 2004 and 2005 strongly outpaced the total retail sales growth of 6.3 percent during the same period (U.S. Census Bureau 2007). Similar and often greater growth rates are common in other markets globally. Despite the growth of e-tailing, many e-tailers struggle to understand how to create customer value and gain competitive advantage (Larson 2001).

Firms that achieve superior performance typically possess and leverage important resources such as assets, knowledge, and processes that allow them to efficiently and effectively develop and implement successful strategies. These strategies form the basis of competitive advantage, and the more resistant the resources are to duplication or imitation, the more sustainable the advantage and superior performance. This resource-based view of the firm (Wernerfelt 1984; Barney 1991) provides a theoretical framework through which to assess how e-tailers can achieve competitive advantage and superior performance. As described by Day (1994) and Hult and Ketchen (2001), firms often utilize critical capabilities that independently and collectively contribute to the creation of unique resources. Thus, competitive advantage and subsequent performance are contingent on firms managing capabilities to create valuable and inimitable resources.

Following Hult and Ketchen's approach (2001), we identify certain capabilities (market orientation, entrepreneurial orientation, and foreign market orientation) that can contribute to e-tailers' abilities to create strong brands and supplier relations. Firm orientations have been linked to performance (Lumpkin and Dess 1996). Similar to Noble, Sinha, and Kumar (2002), we hypothesize that the impact of these orientations on performance are not direct, but rather are mediated by the resources they help create. This study investigates the ability of important e-tail firm resources to mediate the effects of market orientation, entrepreneurial orientation, and foreign market orientation on global revenue growth and firm performance.

Two key sources of customer value creation and competitive advantage in e-tailing are brand strength and supplier relations. While price is a key driver of e-commerce transactions, retailer name and reputation are important criteria in e-tailer selection (Shop.org 2004). The strength of consumers' associations of a brand (Keller 1993; Park, Jaworski, and MacInnis 1986), create one of the most valuable assets a firm can own (Aaker 1991), including those in the retailing industry (Ailawadi and Keller 2004). Studies indicate that online brand loyalty and market share are positively correlated (Danaher, Wilson, and Davis 2003) and strong brands do better online than weaker brands (Degen, Rangaswamy, and Wu 2000). Creating and leveraging a strong brand can be a strategic asset and competitive advantage for online retailers. Effective branding can help create experiential value that may otherwise be lacking online (Mathwick, Malhotra, and Rigdon 2001).

While the store's brand name and reputation may draw customers, product availability and prompt delivery are also requisite conditions for consuming online transactions (Korpor and Ellis 2001; Lancioni, Smith, and Oliva 2000). Accurate fulfillment and reliability are key factors of consumer e-tail satisfaction and quality perceptions (Wolfinger and Gilly 2003). By managing their relations with key suppliers, e-tailers can assure their customers quality product selection and provision. Online, brand strength and supplier relations represent organizational resources that can lead to competitive advantage based on increased site traffic and superior service which subsequently lead to superior performance (Day 1994). Such a focus on strategic resources is commensurate with the resource-based view of the firm (RBV), which posits that unique assets, such as strong brands and supplier relations, are difficult for competitors to replicate and can differentiate a firm (Barney 1991).

Using survey data from a cross-national sample of marketing and e-commerce decision-makers, the model was tested using structural equation methods. Key informants were marketing or e-commerce decision makers responsible for the operations of online retailing and marketing activities. Using Steenkamp and Baumgarner's (1998) prescribed hierarchical confirmatory factor analysis procedure; the multi-item measures were evaluated for cross-national measurement invariance to examine the strength and generalizability of scales between the U.S. and non-U.S. respondents.
The overall objective of this research was to enhance understanding of the relationships among a series of hypothesized antecedents of e-retailer firm performance and to investigate the potential for firm resources to mediate the effects of important firm orientations on revenue growth and performance relative to objectives (cf., Avlonitis and Karayanni 2000). The results provide partial support for the ability of the resource-based variables (i.e., brand strength, supplier relations) to mediate the effects of the antecedent orientation variables on the two performance outcomes. Thus, this research shows how certain unique resources important to e-tailing are established and how different types of capabilities and resources relate to one another.

The findings support the resource-based view of the firm that competitive advantages can be accrued through the development and deployment of unique and imitable assets (Wernerfelt 1984; Barney 1991). Further, our study reinforces the importance of key capabilities, specifically market and foreign knowledge orientations, on resources and ultimately performance (Day 1994; Hult and Ketchen 2001). The results suggest that the impact of orientations on performance was mediated by the resources that the orientations help create. That orientation effects on performance are indirect (see also Noble, Sinha, and Kumar 2002) contributes to our knowledge of the interrelationships between capabilities, resources, and performance. Resources such as brand strength and supplier relation are thus critical mediators of the orientation–performance relationship. References are available upon request.

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