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Selling digital services abroad: How do extrinsic attributes influence foreign consumers' purchase intentions?

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ABSTRACT

This article investigates, through the country-of-origin effect and value-in-use lenses, how the implementation of digital services creates opportunities for cultural industries to expand internationally. We argue that intrinsic attributes of cultural content such as the capacity to entertain are difficult to parameterize because they are somewhat experiential and subjective. This means that extrinsic cues are essential to foreign consumers when making a decision to purchase digital services. We specifically evaluate the influence of Britishness, cultural distance, exoticness, brand image, and flag-brand congruence on the purchase intentions of consumers in foreign markets. This study employs a unique consumer dataset with information on the internationalization of British cultural digital services. The depth and breadth of the survey data collected through collaboration with a UK media industry partner with a globally recognised brand is significantly richer than data used in previous studies. In particular, the study exploits a survey with 5,200 usable data points from consumers residing in fourteen geographically dispersed countries. Findings support theoretical predictions that Britishness, cultural distance, exoticness, brand image and flag-brand congruence are positively linked to the purchasing decisions. Theoretical and managerial implications are discussed.

1. Introduction

A success factor for internationalisation strategy is understanding the attitudes that consumers from different countries have towards foreign products or services (Netemeyer, Durvasula, & Lichtenstein, 1991). Previous research has extensively analysed how Country-of-Origin (CoO) influences the purchasing decision of consumers in international markets, providing a comprehensive understanding on how the 'made in' label of products and non-digital services affects consumerś decision to purchase in globalized markets (Balabanis & Diamantopoulos, 2011; Bloemer, Brijs, & Kasper, 2009; Melnyk, Klein, & Völckner, 2012; Pappu, Quester, & Cooksey, 2007; Pharr, 2005; Veale & Quester, 2009). However, literature seems to be silent on the assessment of the CoO in the context of digital services in cultural industries. This study addresses this gap in knowledge by theoretically identifying and empirically testing the relationship between various extrinsic factors of culturally-based digital services and the purchasing intentions of foreign consumers.

The growth in information and communication technologies has opened a new revenue stream in cultural industries. Firms sell content in the form of downloads or subscriptions over the internet, a revenue stream that is referred to as digital services (Vendrell-Herrero, Bustinza, Parry & Georgantzis, 2017). Digital services coexist with other revenue streams such as physical products (e.g. books, DVDs, and CDs) or non-digital services (e.g. theatre, concerts, and exhibitions). The experience in the consumption of digital services is similar to the experience of products, but technology can enhance the value of digital services relative to products (Parry, Bustinza and Vendrell-Herrero, 2012). This means that digital services can substitute for products and, in fact, current trends indicate that there is a replacement of products by digital services (Peltoniemi, 2015). However, the experience of consumption of non-digital and digital services is totally different and that is why those revenue streams are considered, to some extent, as complements (Papies & van Heerde, 2017). The international business community has not extensively researched the internationalization of digital services, and we contend that this is an important gap, because selling digital

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services abroad is different to selling products and non-digital services.

We argue that digital services are different to products for four reasons; two of them also differentiate digital services from non-digital services. First, digital services produce a paradigm shift in the customer-producer relationship where physical items are replaced by intangible software, and value is realized only in the process of consumption, moving the focus of value from value in exchange to value-in-use (Vargo & Lusch, 2004). The consumer judged the physical object to be of value at the point of exchange, before the phenomenological experience. In contrast, in the digital space there is no exchange token, so the value of a subscription service is only apparent to the consumer at the point of phenomenological experience. Second, whilst physical products intrinsic cues can be parametrized, this is infeasible for intangible digital services. It is not possible to provide objective parameters for culturally-based services as the judgement depends on consumers' experience (Vargo & Lusch, 2008). This means that the enjoyment of culturally-based digital services are somewhat subjective and consumers examine extrinsic attributes such as the actors/authors/producers (brand), or the location of production such as USA or UK etc. (CoO) to make their purchase decision (Fandos & Flavián, 2006; Glückler & Sanchez-Hernandez, 2014; Srinivasan, Jain, & Sikand, 2004). The third differential characteristic of digital services is that the replicability of the service is effectively free since marginal and transport costs are close to zero, reducing costs involved with the management of stocks and logistics (Blum & Goldfarb, 2006). Fourth, digital services are non-excludable (Barwise & Picard, 2015; Owen & Wildman, 1992). In contrast to products and non-digital services, the open nature of digital content means that many people can receive a digital service without concurrently reducing the availability of that service to others. Free replicability and non-excludability conceptually differentiates digital services from non-digital services and products. These last two underlying characteristics of digital services are precisely the ones that facilitate their global spread.

An additional contribution of this research is that we consider the role of key moderating variables with the objective of better understanding the complex relationship between CoO and foreign consumer purchasing intentions of digital services. While previous studies have analysed company-specific and product-specific moderating variables (Pharr, 2005), the work presented here is novel as we introduce a country-specific variable: cultural distance. Cultural distance is a moderating variable that is particularly relevant as it provides a measure of the '*exoticness*' of culturally-based digital services. Exoticness is an extension of the Cultural distance concept, and relates to the consumer's perception of attractive foreign cultural content. As in previous studies based on the orthogonality perspective, we incorporate brand image into the analysis as a company-specific moderating variable (Diamantopoulos, Schlegelmilch, & Palihawadana, 2011; Tse & Gorn, 1993) where company brand image and CoO are expected to have independent and compensatory influences on buying intentions. We argue that foreign consumers' intention to purchase digital services will be enhanced when flag (CoO) and brand (image) are congruent.

Context selection is an additional important contribution of this study. Extrinsic attributes that influence foreign consumer purchasing decisions are investigated in the context of the internationalization strategy of a globally well-known and trusted multinational television firm that offers entertainment and cultural content via digital channels around the world. The study takes the UK as the 'home' nation and provides an interesting context as television broadcasting has seen a dramatic rise in competition over the past twenty or thirty years (Starkey, Barnatt, & Tempest, 2000). Competition is further heightened as television broadcasters funded by public funds have been impacted by the effects of the economic crisis resulting in budget cuts (Froud, Johal, Leaver, Phillips, & Williams, 2009). Broadcasters orientated towards high quality content creation (Connolly, Hanretty, Heap, & Street, 2015) have sought additional revenues through internationalization strategies that employ various forms of digital services. The television broadcasting context provides grounds for a natural experiment, analysing the internationalization of digital services in numerous countries at the same time. As the UK is the 'home' country for this study we operationalize a unique CoO measure for British media services that we name '*Britishness*'.

A final input of this research is the empirical setting. The importance and robustness of the empirical design and the results obtained are evidenced by the fact that we use a large and representative dataset with 5200 usable data points obtained from an online survey conducted in 2013 in collaboration with our industry partner. The approach represents an additional contribution as the depth and breadth of the data is superior to previous studies analysing the CoO effect of physical products (Balabanis & Diamantopoulos, 2011; Godey et al., 2012; Jin et al., 2015; Lee, Chen, & Guy, 2014; Wang, Li, Barnes, & Ahn, 2012), and the number of countries analysed is larger than most international business studies using surveys (Chidlow, Ghauri, Yeniyurt, & Cavusgil, 2015).

The paper is structured as follows: in the next section we develop the theoretical framework and empirical hypotheses. Then we present the methodology and describe the nature of the data. In section four we present the results of the various binary choice models estimated. Discussion and conclusions with an emphasis on managerial implications close the work.

2. Theoretical background

2.1. Culturally-based digital services

2.1.1. Definition

Peltoniemi (2015, p. 41) defines cultural industries as "*those that produce experience goods with considerable creative elements and aim these at the consumer market via mass distribution. The creative elements consist of stories and styles and they serve the purposes of entertainment, identity-building and social display. Mass distribution refers to storage and delivery where economies of scale play an important role*". In light of this definition, cultural industries employ a Business-to-Consumer (B2C) approach and include motion picture, music, books and magazines publishing, television and radio, fashion and video games.

Cultural industries are implementing digital technologies to enhance their competitiveness. According to Parry et al. (2012), there are two digital business models categorized with the general heading culturally-based digital services that are becoming successful and popular in cultural industries: streaming/subscription and downloads. Examples of the first are Apple Music and Spotify in the music industry, Netflix in motion picture, and television pay-per-view and monthly subscriptions. Examples of downloads are ebooks in the publishing industry and iTunes in the music industry.

Digital applications are changing society, underpinned by the idea that digitalization is becoming "the new normal" (Hinssen, 2010). Digital content supports the increasing use of digital applications and devices by individuals and firms that facilitate access to cultural content enhance consumer's consumption experience. Digital services are measured primarily as quantity sold, rather than the margin obtained, and hence firms seek to rapidly expand their offer to foreign markets to secure higher market shares (Tran, Yonatany, & Mahnke, 2016).

The success of internationalised digital services in practice depends on the extent to which firms understand what their customer wants, how the value proposition is delivered, and ways to capture value and make a profit (Teece, 2010). The digital transformation is re-shaping supply chain interdependency, consumer preferences and consumption patterns (Bustinza, Parry, & Vendrell-Herrero, 2013; Vendrell-Herrero et al., 2017). Changes in consumption patterns are affecting the core conceptualization of value, an area that needs to be re-examined.

2.1.2. A value perspective

From a value perspective we find four main reasons that

differentiate digital services from (non-digital) services and products. Value has been the subject of significant academic discussion and has been ascribed many meanings (Ng & Smith, 2012): utility [U] is the satisfaction derived by a customer during consumption, evaluated at point of exchange; economic worth [EW] to the firm, discussed as lifetime or "net present value" of a customer; perceived satisfaction [PS] is judged by the customer post consumption and assumes value is an inherent part of the offering; net benefit [NB], the consumer trade-off between benefits and outlay determined at the point of exchange; means-end [ME] relates to the perceived attributes of an offer to meet a consumer requirement; phenomenological experience [PE] value lies not in an object but in the use experience of the customer.

Value is traditionally conceptualized using definitions that determine value at the point of exchange (Bagozzi, 1975). However, relevant to the present study is the work of Bowman and Ambrosini (2000) who employ PE constructs, defining value as the perception of how 'good' something is within a situated use context, making use-value specific to an individual occurrence. PE value is therefore not a naturally occurring property, but is phenomenologically determined within context and is dependent upon how an offer is perceived by an individual (Ng & Smith, 2012).

Digital services produce a paradigm shift in the customer-producer relationship, moving from a focus on constructs of value in exchange to a focus on value-in-use, relating to PE (Vargo & Lusch, 2004). Physical items are replaced by intangible services and therefore value is realized only in the process of consumption (Parry et al., 2012). However, creating a sustainable business depends upon the producer capturing value sufficient to exceed costs, and the user will determine the amount they will pay as a function of their perception of their increased benefit compared to alternatives, relating to NB/ME value (Lepak, Smith, & Taylor, 2007). Without these antecedents, the user will not engage in future exchange, making the business unsustainable.

Another specificity of digital services is that additional production and transportation costs are zero, meaning replication of the service is effectively free. In addition digital services are non-excludable (Barwise & Picard, 2015; Owen & Wildman, 1992), implying that anyone can access digital services (with a fee or not) without reducing their availability to others. Non-excludability and free replicability underpin business models that prioritize sales volume and international expansion to the detriment of margin, as the distance between producers and final consumers is reduced and the number of consumers that can be reach is unrestricted (Blum & Godfard, 2006). Therefore, the new model of digital services means that the offer is no longer limited in supply so value capture based on scarcity and the ability to implement premium pricing is diminished (Bustinza, Vendrell-Herrero, Parry, & Myrthianos, 2013). These two characteristics of digital services differentiate them from non-digital services and are associated to new threats. For example, the fall in marginal cost of production contributes towards growth of the sharing economy and empowers customers (Rifkin, 2014). Producers of digital services are not necessarily the same as those who are able to retain or capture value in the longer term (e.g. retailers), a phenomenon termed value slippage (Lepak et al., 2007).

A fourth differential characteristic of digital services is that value-in-use is experiential and subjective (Vargo & Lusch, 2008). Intrinsic qualities (i.e. degree of entertainment) are practically impossible to assess prior to consumption. Consequently the purchasing decision is made based on symbolic factors (Fandos & Flavián, 2006). Glückler and Sanchez-Hernandez (2014) and Srinivasan et al. (2004) assert that although consumers' perceptions tend to be more influenced by intrinsic elements, in circumstances where intrinsic characteristics are difficult to observe, consumers resort to extrinsic attributes such as CoO to make a decision to purchase. Therefore this work examines if extrinsic attributes are used to assess culturally-based digital services and enhance the purchasing propensity of foreign consumers. Extrinsic attributes analysed include CoO, cultural distance, degree of exoticness, author/producer (brand) image, and congruence between flag and brand. The relationship between these factors and foreign consumers' purchasing intentions will be discussed in the next sub-sections and is graphically presented in Fig. 1.

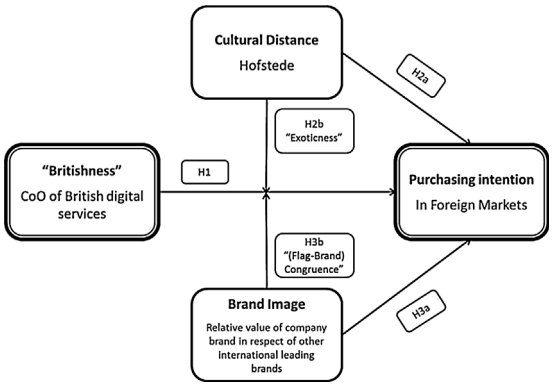

Fig. 1. Hypotheses.

2.2. Hypotheses development

2.2.1. CoO effect on purchasing intentions

CoO may be considered as a measure of the 'brand' strength of a country as it shows the influence of country of origin labelling ('made in') on consumer decisions (Herz & Diamantopoulos, 2013; Koschate-Fischer et al., 2012; Melnyk et al., 2012). CoO is a multidimensional construct including cognitive, affective and stereotype elements (Usunier, 2006). From a theoretical standpoint Godey et al. (2012, p. 1462) suggest that "The CoO impacts consumer perceptions and behaviors", with the implication that consumers associate the country's image with the quality of the firm offering (Ittersum, Candel, & Meulenberg, 2003; Nagashima, 1977).

A large number of studies have empirically investigated the influence of the CoO effect on consumers' perception of the quality of products and services and their subsequent purchasing decision (Balabanis & Diamantopoulos, 2011; Berry, Mukherjee, Burton, & Howlett, 2015; Bloemer et al., 2009; Pappu et al., 2007). However, despite the attention received, results are not consistent. While some studies attest the importance of the CoO effect on consumers' purchasing decision (Ahmed & d'Astous, 2008; Laroche et al., 2002), others seem to downplay its importance (Liefeld, 2004; Pharr, 2005).

We argue that, in the case of culturally-based digital services, the external information provided by CoO provides a cognitively easy to understand signal that impacts the decision to purchase cultural content. As such, countries traditionally known as having well established traditions in producing cultural content will be more likely to transfer a positive image to their offerings (Craig, Douglas, & Bennet, 2009). For instance US movies produced in Hollywood are likely to be perceived as good, and hence they tend to attract larger audiences; though Hollywood movies are not always better than movies produced in other regions of the world (Morris, 2011). In other words, digital offerings produced in contexts characterised by an internationally recognized tradition in the creation and development of cultural content will generate perceived value and consequently stimulate consumers' purchasing decision. As such, we hypothesise that:

H1. When considering the purchase of specific digital services, CoO perceptions are positively associated to consumers' purchasing intentions.

2.2.2. Cultural distance and purchasing intentions

There are various frameworks and typologies of culture (e.g. Hotsfede, Schwartz, GLOBE) but all of them consider that culture defines those practices and values that are shared within a community,

but are distinctive in relation to other communities (De Mooij, 2017). Thus, culture can be understood as the collective thinking and traditions that define a nation. Culture partly determines decision-making behaviour and choice, including the ways in which citizens choose to spend their leisure time and interact with other members of the community. Therefore differences in culture can have an influence on how individuals perceive and select artistic and cultural content produced in foreign countries (d'Astous et al., 2008).

The literature on international business has created mechanisms to quantify the cultural distance between two countries (Gomes, Sahadev, Glaister, & Demirbag, 2015; Javidan, House, Dorfman, Hanges, & De Luque, 2006; Kogut & Singh, 1988; Shenkar, 2001). Cultural distance is a construct that has been employed in international business studies as a way to better understand market entry choice strategies and their success (Brouthers & Brouthers, 2001), and more recently in the analysis of market penetration (Talay, Townsend & Yeniyurt, 2015) and consumer research (Ng, Lee & Soutar, 2007).

Cultural distance is an essential construct in understanding how consumers evaluate cultural offerings, including tourist destinations, food, and culturally-based digital services. Previous research has concluded that consumers willing to purchase culturally-based digital services are early adopters and explorative consumers (Parry et al., 2012). This means that those consumers are supposed to be more opened to new content than consumers purchasing traditional formats (e.g. products). In addition to that, market pressures (e.g. threat of peer-to-peer file sharing) makes that the price of purchasing additional content is relatively low (Rifkin, 2014), and therefore consumers can explore with new content at a relatively low extra cost.

The content produced in countries sharing similar cultures tends to have comparable attributes. However, when we compare two countries with a large cultural distance, the underlying attributes of the cultural content produced becomes different (d'Astous et al., 2008). We argue that it is precisely this difference that opens the opportunity to create a niche market in culturally distant countries (Cooper, Willard, & Woo, 1986). This niche market has the potential to be stable over time as it is very unlikely that competitors operating in the target markets will have the ability to replicate cultural content without copyright infringement. Based on these arguments we hypothesize that this capacity to create a niche will mean that the propensity of consumers to purchase digital cultural services from culturally distant markets is higher than their propensity to purchase such services from culturally similar countries.

H2a. When considering the purchase of specific digital service, cultural distance is positively associated to consumers' purchasing intentions.

Suh, Hur, and Davies (2016) have analysed the interplay between CoO and cultural appropriation, suggesting that CoO and collective thinking are linked. We borrow from tourism research to argue that in our context this link is sustained on the construct of exoticness (Correia, do Valle, & Moço, 2007). If a consumer likes the CoO of a culturally-based digital service, their positive perception will be reinforced with an increase in the cultural distance, as the cultural content exported becomes perceived as 'exotic'.

To be categorized as 'exotic' a digital service needs to accomplish two conditions. First, the consumer needs to attach a high value to the image of the country, so the CoO perception needs to be positive. Second, the value proposition needs to come from a culturally distant country. From this definition our conceptualization of exoticness is the interaction between CoO and cultural distance.

Exoticness is normally considered as a positive attribute (Correia et al., 2007). More specifically, we propose that in our context the CoO attribute positively moderates the relationship between cultural distance and purchase intentions by enhancing the understanding of digital services coming from relatively distant and unknown markets (Lobb, Mazzocchi, & Traill, 2007; Michaelis, Woisetschlager, Backhaus, & Ahlert, 2008). Following this argument we hypothesize that, in the context of culturally-based digital services, CoO and cultural distance mutually reinforce each other producing an increase in purchasing intentions. In other words, the degree of exoticness enhances the selling capacity of culturally-based digital services.

H2b. When considering the purchase of specific digital service, the degree of exoticness is positively associated to consumers' purchasing intentions.

2.2.3. Brand image and purchasing intentions

Some scholars advocate that company brand image has a direct effect upon consumers purchasing decision, especially in cases when they are aware of the values underlying company's brand (Wang et al., 2012). Godey et al. (2012) suggest that the construct of brand image can be understood in two dimensions: functional and relational brand. Relational branding is created through a symbolic attribute of the brand with which consumers develop an interpersonal relationship over time (Aaker, 1997), which in some cases may imply a process of value co-creation (Parry et al., 2012). Such a long-lasting relationship may create a sense of belonging which tends to reinforce consumers' loyalty towards the brand (Fournier, 1998). For instance, Lucasfilm, a movie producing company, has been able to generate and maintain a long-term relationship with several generations of consumers through the production of well-known series of movies such as Star Wars and Indiana Jones. The success of these two iconic products has grown over the years, through a co-creational and loyal relationship between consumers and the producers.

Functional branding resides on the trajectory of the organisation in developing, producing and commercializing successful products over time (Rego, Billett, & Morgan, 2009). In developing a functional brand, Keller and Lehmann, (2006) suggest that the organisation is able to create higher levels of trust and reduce risk perception, which tend to positively influence consumers purchasing decisions. Consumers may be more likely to purchase new content from successful providers who have functional brands as their offers are regarded as having an assurance of high quality. Relational and functional brand dimensions tend to reinforce each other and jointly create and develop brand image, subsequently influencing consumers' loyalty and purchasing decisions. Based on this discussion, we hypothesise that:

H3a. When considering the purchase of specific digital goods, company brand image are positively associated to consumers' purchasing intentions.

The complementarity effect between CoO and product brand has been researched in previous studies and evidence suggests that consumers purchasing decisions are influenced by both (Diamantopoulos et al., 2011; Godey et al., 2012; Mohd-Yasin, Nasser-Noor, & Mohamad, 2007). Such a complementary effect is in line with current debates in the management literature looking at the synergies and complementarities between complex extrinsic factors (Ennen & Richter, 2010).

Consistently with Haubl and Elrod (1999) we consider that firms exporting culturally-based digital services to countries with complex socio-cultural and technological settings can benefit from deploying congruence in the image underlying CoO and company brand image, a construct that we name as flag-brand congruence. One example of this flag-brand congruence that enhances consumer products purchase intentions are German cars and company brand image of German manufacturers as Mercedes, BMW, Volkswagen (Diamantopoulos et al., 2011; Gomes, 2009). Similarly, following the example of digital services produced in Hollywood (US) by Lucasfilm, the congruence of both country and firm image tends to positively influence consumers purchasing decisions. As such, we hypothesize that:

H3b. When considering the purchase of specific digital service, the flag-brand congruence is positively associated with consumers' purchasing intentions.

3. Context of the study, data collection and description of the variables

3.1. Description of the context and relevance of the study

This research proposes that the television (TV) broadcasting industry is a good context to analyse the empirical hypotheses. Pay TV business models are becoming increasingly popular as digital distribution allows for reduced start-up cost (Weeds, 2016). Pay TV is a digital business model that requires consumers to pay extra fees to access additional TV channels providing range of offers including cultural (e.g. documentaries, drama, comedy) and entertainment programs (sports, movies, etc.). Based on new technological developments consumers are able to decide how to access the content (e.g. television or various other internet connected devices, e.g. digital TV decoders, smart phones, tablets, etc.), when to access it, and are no-longer tied to broadcast schedules.

The choice of the UK television broadcasting industry as the context of this study is justified as it has a long tradition of producing high quality drama, documentaries and comedy programs (Froud et al., 2009). The UK television broadcasting industry is widely acknowledged as being the leader in the European market. During the years 1994–2012 in the main international contests (Emmies, Monte Carlo, Montreux and Prix Italia) British shows obtained 41.57% of the awards (365 out of a total of 878). The UK television broadcasting industry is dominated by a few leading broadcasters, all of them with strong international reputation (Connolly et al., 2015). UK broadcasters have always pursued international markets and recognise that further global expansion is a potential area for additional revenue (Bloom & Van Reenen, 2010).

3.2. Sampling and survey design

To test the hypotheses we undertake an analysis on consumer attitudes towards the UK television broadcasting industry. Whilst the relationships between CoO and brand image with purchasing intentions can be tested in a single foreign market, the link between cultural distance and purchasing intentions needs to include a wide and extensive selection of countries. The aim therefore is to collect consumer information from countries in different geographical regions, including developing and developed countries. Our sample includes consumers in fourteen countries from the following regions: Africa (South Africa), Asia (South Korea, Singapore and Indonesia), Middle East (Turkey, UAE), Europe (France, Sweden, Norway, Poland, and the Netherlands), and Latin America (Brazil, Colombia, and Mexico). The number of countries included in this study is of great relevance for international business research, as only 7.94% of the studies using surveys use more than 10 countries in their analyses (Chidlow et al., 2015).

Research is undertaken in cooperation with an industry partner, *Company A*. The partner is a leading UK broadcasting television multinational and globally is a widely-recognised brand. The partner is seeking to further internationalize their cultural content through digital services. With our support the department of consumer research of this multinational developed a questionnaire that was fed back to an external partner with extensive experience in the construction of representative samples at an affordable cost. The external partner implemented the survey in fall 2013.

Sampling was designed to achieve quotas based on age, gender and region. For each country, these quotas were based on official census data for the full population. The target sample was individuals in the working age, 16–65. Where internet penetration is below 70% we cannot accurately represent the total 16–65 population so we consider our surveys to be representative of the online population and adjust the population figures to the online population using internet penetration data, thus accounting for the fact that in developing countries internet penetration is likely to be skewed towards the younger population and thus our population figures reflect this. Participants in the industry survey were asked to complete a short (15 min) online questionnaire in which they indicated their preferences over a large variety of television programmes, films and other visual content. In line with previous studies on international business (Chidlow, Plakoyiannaki, & Welch, 2014), the survey was translated to the main language of the country and back translated to English.

To assure representativeness absolute sample sizes cover between 500 and 1,500 consumers per target market, depending on country size. To reach this objective over 68,000 panellists in all the targeted countries were contacted by email. After reaching an answer rate of 15.02% the resulting dataset contains 10,216 data points with each point representing an individual response to a survey. The answer rate is similar to other studies in international business using surveys (Chidlow & Ghauri, 2015).

Whilst the project surveyed 10,216 individuals we acknowledge that the questions regarding perceptions of CoO and brand contain a significant number of missing values. In conversation with the industry partner and the external partner implementing the survey, one plausible reason is the large number of items included in the questionnaire that are used to assess perception variables, which might deter participants from continuing with the survey and producing incomplete responses, something common in the literature (Bauer et al., 2001; Elbanna & Child, 2007; Vendrell-Herrero, Gomes, Mellahi & Child, 2016).

After cleaning the data and dropping the missing values the usable sample of the study is 5,200 individuals (50.9% of the surveyed individuals, and 7.64% of the total target). The missing observations could be a potential source of bias. As all the individuals replied to the basic demographic questions we were able to analyse the characteristics of the individuals that answer all the questions against the rest. Table 1 exhibits a simple comparison of means of both groups for the relevant demographic variables (gender, age and social class). The results indicate that whilst on average respondents and non-respondents of perceptual items have the same age (37 years old), there is a small gender and income bias towards males with higher incomes. In conversation with the industry partner we found that the imbalance is because this is the main target market of the company and therefore we do not interpret these differences in the samples as a damaging bias.

3.3. Variables and measures

3.3.1. Dependent variable

3.3.1.1. Purchasing intentions. One of the questions in the survey controls for the consumers' intention to purchase Company A's subscription service. The extent to which consumers were likely to buy digitalised cultural TV content from Company A was assessed by using an 11 point Likert scale from 0 to10. To create the binary purchasing variable we asked our industry partner if, according to their experience, they have a threshold for this measure. They answered that they divided the sample into three main groups: i) consumers responding between 0 and 6 were considered "not likely" to purchase; ii) consumers responding between 7 and 8 were considered as "likely" to purchase and; iii) responses between 9 and 10 were considered as "highly likely" to purchase. Subsequently, and with the

Table 1
Comparison of means in demographic variables of individuals responding to all survey, and individuals not responding part of the survey and therefore generating missing data.

	Respondents 5,200	Missing data 5,061	*t*-test *P-Value*
Male	0.52	0.47	0.000
Age	37.28	37.17	0.666
Upper (class)	0.24	0.19	0.000
Travel abroad	0.32	0.18	0.000

objective to create a more robust binary variable, we classified as buyers (1) those with responses between 9 and 10, and non-buyers (0) the remaining respondents. As a result, 1,601 individuals in our usable sample (23.81% of those aware of the digitalized cultural content) are categorized as being very likely to purchase the digitalized cultural content.[1]

3.3.2. Independent variable

3.3.2.1. Britishness. Standard scales of CoO uses a range of 5 to 12 items and may ask respondents very generic questions about, for example, any foreign country of study, their subjective perceptions of the manufacturing, innovation and/or economic capabilities of a country (Han & Terpstra, 1988; Mohd-Yasin et al., 2007). However our measure of CoO needs to be contextualized in terms of sector specific issues (TV digital broadcasting services) as well as the country characteristics. For this reason we adapted our scale to include 'context' based on previous empirical literature (Cleveland & Laroche, 2007).

The following items (listed in Table 2) were used in the factor analysis of the CoO effect of UK TV Broadcasting services: 'I generally prefer British to American programmes' (I1), 'I generally prefer British to local programmes' (I2), 'I love British programmes in general' (I3), 'I would love to watch more British programmes than I currently do' (I4), 'I love British Comedy programmes' (I5), 'I love British dramas' (I6), 'I love to see cultural differences such as "Britishness" when watching British programmes' (I7), 'British programmes are well filmed and have a high production values' (I8). The items follow a 1–5 Likert scale, where "1" means totally disagree and "5" means totally agree. We performed principal component analysis as a way to reduce variables, and hence pack the relevant information collected in the different items in one construct.

Through principal component analysis with varimax rotation and Kaiser normalization − Kaiser-Meyer-Olkin KMO = 0.945, Barlett's test of sphericity $\chi 2 = 26{,}302.682$ ($p = 0.000$), one representative dimension was obtained with a total variance extracted (TVE) equal 61.898%. The eigenvalue of the second factor is already smaller than 1 (0.632), so using standard methodology only the first factor is considered. The analysis of the scale's internal consistency gives a Cronbach's alpha value of $\alpha = 0.912$, which is a weighted average of the correlations between items. Nevertheless, high internal consistency may work against content validity so further tests were performed. The Mean Inter-item Correlation (MIC) was calculated, resulting in a value of 0.428 below the criterion 0.5 level (Briggs & Cheek, 1986). Finally, factorial load and reliability analysis was used to calculate the value for composite reliability (CR = 0.894), being the convergent validity analysed through the average variance extracted AVE = 0.515 (see Table 2). These results provide evidence of the convergent validity of the dimension used in this study (Hair, Anderson, Tatham, & Black, 2001). Results from confirmatory analysis (shown in Tables 3 and 4) confirm the validity of the construct used as a measurement tool for Country-of-Origin (CoO).

All 8 items are highly positively correlated and are included in the measure. In line with other studies (for instance see Lafuente, Vaillant, & Serarols, 2010), we take the linear predicted value of the factor. This predicted value is structured such that it follows a normal distribution with mean 0 and standard deviation 1. The commonality between all items is the CoO effect, or the value of British media named as 'Britishness' in this research. The continuous variable created can be interpreted as an index. When the value of a given consumer surveyed is negative it implies that, compared to the "average consumer", he/she has less interest/taste for British media. If the value is positive it means that the consumer has a greater interest in British media when compared to the "average consumer".

Table 2
Items and factor load.

	Component 1
COO1: I generally prefer British to American programmes	0.750
COO2: I generally prefer British to local programmes	0.677
COO3: I love British programmes in general	0.865
COO4: I would love to watch more British programmes than I currently do	0.836
COO5: I love British comedy programmes	0.797
COO6: I love British dramas	0.810
COO7: I love to see cultural differences such as 'Britishness' when watching British programmes	0.778
COO8: British programmes are well filmed and have high production values	0.766

3.3.2.2. Cultural distance. The survey was complemented with data from secondary sources to construct the variable 'cultural distance' between the targeted markets and the UK. At the time of choosing a measure of culture we followed two criteria. First, the chosen measure needed to apply to our context of analysis and needed to correlate with measures of computer and internet usage at country level. Second, we checked whether the measure had been used previously in consumer research. Following these criteria Hotsfede's cultural indicators emerged as the most appropriate one for our purposes: Hotsfede's cultural indicators correlate better than other cultural indicators (Schwartz and GLOBE) with computer and internet use (De Mooij, 2017). Further to this, contrary to the other measures of culture, Hotsfede's cultural indicators have been used previously in consumer research (e.g. Moon, Chadee, & Tikoo, 2008; Ng, Lee & Soutar, 2007).

For the fourteen target countries plus the UK we downloaded[2] the six dimensions that according to Hofstede (2001) characterize a culture: power distance, individualism, masculinity, uncertainty avoidance, long-term orientation and indulgence. Our measurement of Cultural Distance (CD) is based on the Kogut and Singh (1988) formula, exhibited in Eq. (1). I is the Hofstede cultural index by the dimension n and the country m, and V is the variance of the dimension n.[3] Our index is a continuous measure, the higher the index the larger is the cultural distance between the target and home (UK) country. We have fourteen target countries in our sample and therefore we have only fourteen values for our cultural distance measure. We associate the cultural distance estimated for the target country to all consumers residing in each particular target country. This sort of empirical method is common in multilevel approaches (Bamiatzi, Bozos, Cavusgil & Hult, 2015).

$$CD_j = \sum_{i=n}^{6} \{(I_{nm} - I_{nUK})^2 / V_n\}/6 \quad (1)$$

3.3.2.3. Brand image. In the survey we also have data on how consumers value the brand of the industry partner, Company A. The

[1] The rationale for choosing this threshold is that we do not observe the actual purchase and therefore we wanted to create a restrictive binary variable to assure that the respondents classified in the value "1" were very likely to be actual buyers. In addition, in conversation to our industry partner the market share of the firm was relatively low at the time of conducting the survey, so it would be unrealistic to use less restrictive threshold. However, we have conducted the Logit analyses reported in Table 6 including consumers giving 7 and 8 to the scale as buyers. Qualitatively, the results were the same. All the tests mentioned in the text but not reported in tables can be made available upon request.

[2] https://geert-hofstede.com/countries.html (Accessed 25th October 2016)

[3] The Hotsfede cultural distance measure has been criticised by other scholars (e.g. Shenkar, 2001). The main alternative proposed in the literature is the GLOBE project (Javidan et al., 2006). One of the main issues with this measure is that it uses the culture of England and not the one of the United Kingdom. Another limitation is that it does not contain information for Norway and UAE. However, we downloaded the GLOBE items and created indices of cultural distance using the Kogut and Singh's (1988) formula for the two cultural categories included in GLOBE, i.e values and practices. The results obtained from using these measures are qualitatively the same as the ones reported in tables in figures.

Table 3
Factor loadings and reliability analysis.

COO					
Construct/items	Mean (S.D.)	Factor Loading (t-values)	R^2	Composite Reliability	Variance extracted
				0.894	0.515
COO1	3.256 (1.116)	0.707 (68.522)	0.500		
COO2	3.191 (1.246)	0.724 (57.983)	0.524		
COO3	3.457 (1.152)	0.854 (91.378)	0.729		.
COO4	3.522 (1.072)	0.812 (77.467)	0.659		
COO5	3.499 (1.095)	0.764 (82.831)	0.584		
COO6	3.356 (1.090)	0.783 (66.143)	0.613		
COO7	3.360 (1.076)	0.744 (70.450)	0.554		
COO8	3.752 (0.990)	0.727 (61.103)	0.529		

All of the factor loadings are significant for a level of $p < 0.01$.

Table 4
Indicators of the goodness of fit for the CCO construct.

Type of fit	Indicator	No Men	Acceptance range	CCO
Absolute	Chi-Square Likelihood	CMIN	Significance test	18,411.154 ($p < 0.01$)
	Goodness-of-Fit Index	GFI	> 0.900	0.992
	Root Mean Square Error	RMSEA	0.050 − 0.080	0.053
	Root Mean Residual	RMR	< 0.050	0.033
Incremen	Compared Fit Index	CFI	> 0.900	0.993
	Normed Fit Index	NFI	> 0.900	0.993
	Tucker-Lewis Index	NNFI	> 0.900	0.990
	Adjusted Goodness Fit	AGFI	> 0.900	0.988
Parsimony	Normed Chi-square	CMINDF	Range (1–5)	2.537

question asks consumers to rank the value of the brand in 11-Point Likert scale from 0 to 10. The average per country is what we define as the absolute brand image. The same Likert scale was constructed for the two main international competitors. We created an index called '*Relative Brand image*' (BI), which is $2*Value_{CompanyAbrand} - Value_{Competitor1} - Value_{Competitor2}$.

As with CoO, Brand image is also centred to zero. As such, a value of zero is equivalent to a neutral perception towards the company brand image. Similarly, positive (negative) values imply that there is a relative positive (negative) perception of the company brand image.

Table 5 shows the average values of the dependent and independent variables per country. It also shows the amount of usable observations per country.

3.3.3. Control variable

Consumers' consumption patterns may depend on their age and gender. Another important consideration for the purchase of a digital subscription is the previous acquisition of TV packages since it may affect the accessibility of the digitalized cultural content analysed and its marginal cost. This is the case because whilst new customers may need to purchase equipment and other channels as a bundle, existing customers may just need to pay an extra fee for the new services.

Gender is a binary variable that takes the value of 1 when the consumer is a male and 0 when female. The sample contains 52.17% male respondents. Age of consumers is a continuous variable. The average consumer is 37.30 years old, with the respondents' age ranging between 16 and 65. There are no major differences in these two variables in the different countries analysed (see last two columns Table 5). Finally, 'Pay TV' is a binary variable taking the value of 1 in cases when the consumer already has a TV subscription package (satellite or cable) and 0 otherwise. In the sample 53.02% of individuals already have a TV subscription package. In the models we also introduced country dummy

Table 5
Number of observations and average values of the dependent, independent and control variables per country.

Region	Country	OBS.	Buy (%)	CoO (Index)	Cultural Distance (Index)	Brand Image (Index)	PayTV (%)	Age	Gender (%Male)
Europe	France	365	13.70	−0.033	19.480	0.417	39.18	37.40	47.67
	Netherlands	186	5.37	−0.151	16.900	0.203	55.37	39.31	50.53
	Norway	303	14.19	−0.101	19.453	0.438	37.95	41.10	56.43
	Poland	606	19.47	−0.195	20.886	0.225	68.31	38.44	49.01
	Sweden	232	14.22	0.118	17.942	0.651	60.34	41.55	58.19
Middle East	Turkey	206	21.84	−0.199	21.870	−0.083	30.58	35.51	49.03
	UAE	301	25.91	0.078	28.322	0.340	48.50	36.97	36.97
Asia	Indonesia	276	21.01	0.162	25.506	−0.378	28.62	33.19	51.08
	Singapore	319	10.03	−0.008	24.479	−0.036	46.39	40.99	47.96
	South Korea	217	8.75	0.053	31.122	0.109	47.46	38.98	48.85
Africa	South Africa	414	35.51	0.098	12.097	0.134	65.94	35.08	50.72
Latin A.	Brazil	754	31.17	0.176	20.236	−0.238	65.38	35.81	50.92
	Colombia	184	30.43	−0.169	26.003	−0.825	27.71	38.41	60.87
	Mexico	837	46.23	0.178	22.692	−0.392	58.06	35.55	52.81
	Total	5,200	25.21	0.000	21.469	0.000	53.02	37.30	52.17

variables to control for possible country heterogeneity. Country fixed effects control specifically for all the market related non-observable heterogeneities as, for example, the level of competition, piracy rates, and taste for TV shows.

3.4. Empirical method

The aim of this research is to understand how extrinsic factors (country of origin, cultural distance, company brand image, exoticness and flag-brand congruence) influence consumer's purchasing intentions. Since purchasing intentions are measured as a binary variable, a discrete choice regression (Logit) is the appropriate method to estimate consumer demand. More specifically, a given consumer has a propensity to buy Companýs A digital service (TV subscription) y_i^*, linearly related to a vector of observable variables, x_i (the explicative variables presented above) and non-observable factors collected in the error term, ε_i:

$$y_i^* = \beta x_i + \varepsilon_i \quad (2)$$

When y_i* is greater than 0 the consumer decides to buy the digitalized cultural content. A consumer's propensity to buy a good cannot be observed, only their actual choice, which is called y_i and gives a value of 1 when the consumer buys and 0 otherwise. The probability that $y_i = 1$ is given by Eq. (3), where β is the vector of coefficients to be estimated.

$$P(y_i = 1|x_i) = \frac{\exp(x_i'\beta)}{1 + exp(x_i'\beta)} \quad (3)$$

The coefficients (β) in Eq. (3) are used to accept or reject hypotheses though their size is not economically relevant. An estimate of the slope or marginal effect is used to quantify the economic effect of a particular explicative variable (Greene, 2012). This parameter is also shown in tables.

Eq. (4) shows the model to be estimated. The dependent variable has the heading Buy, and the independent variables are collected through the headings CoO (Country of Origin), CD (Cultural Distance) and BI (Brand Image). The interactive terms CoO*CD (Exoticness) and CoO*BI (Flag-brand congruence) are also estimated. Z represents a vector of the country specific effects (i.e. country dummy variables) and I a vector that contains information of the individual characteristics (age, gender and PayTV).

$$Buy_i = \alpha + \beta_1 COO_i + \beta_{2a} CD_i + \beta_{2b} CoO_i{*}CD_i + \beta_{3a} BI_i + +\beta_{3b} CoO_i{*}BI_i + \mu Z_i + \gamma I_i + \varepsilon_i \quad (4)$$

Our study uses interactive terms to measure Exoticness and Flag-brand congruence. According to Ai and Norton (2003) common inconsistencies occur with software used to estimate the marginal effects of interactive terms. For instance, the interaction effect is conditional on the independent variables and may have different signs for different values of covariates. In binary choice models with interaction terms, the interpretation of magnitudes of interest through graphical marginal effects has been strongly encouraged in different fields within social sciences (Driga, Lafuente, & Vaillant, 2009; Hoetker, 2007; Zelner, 2009). Parameter estimates represent average effects, and models based on graphics are a "very informative adjunct to numerical statistical results" (Greene, 2010, p. 295).

4. Results

Results of the logistic regression are shown in Table 6 and Figs. 2 and 3. In line with Ortin-Angel and Vendrell-Herrero (2010) the table reports the percentage of correctly predicted cases where the cut off level for the ex-post predictive analysis has been performed with the assumption that the predicted probability of purchasing equals the average in the sample (25.21%). For example, the baseline model has a good fit, correctly predicting 71.17% of consumer purchasing choices.

Hypothesis 1 proposes that individuals positively influenced by the British CoO effect have a larger likelihood of purchasing a digitalized subscription service than those individuals negatively influenced by the British CoO, corroborated when parameter β_1 is positive. According to the second column in Table 6 (reporting marginal effects) and considering that the rest of the variables remain constant (et ceteris paribus), an increase of 1% in the country of origin index leads to an increase of 0.145 percentage points in the likelihood of an individual purchasing (P-value < 0.01). Consequently the results in Table 6 validate Hypothesis 1. When the logistic regressions are run for specific countries this result remains consistently positive and significant.

Hypothesis 2a proposes that individuals residing in countries culturally distant to the UK will be more likely to purchase British digital subscription services than those individuals residing in countries culturally similar to the UK. The hypothesis will be validated if parameter β_{2a} is positive and statistically distinct from zero. According to the second column in Table 6, and assuming other factors remain constant, an increase of 1% in the cultural distance index leads to an increase of 0.0156 percentage points in the likelihood of an individual purchasing the analyzed digital service (P-value < 0.01). Consequently the results in Table 6 corroborate Hypothesis 2a.

Concerning the moderation effects Hypothesis 2b states that there is a positive mutual effect of CD and CoO, dubbed Exoticness, in enhancing consumers' probability of purchasing digitalized cultural content, implying that β_{2b} is positive. This result is analysed in columns 3 and 4 of Table 6, in which the parameter is statistically not distinguishable from zero. Though, as we explained in the method, results regarding interaction terms in logistic regression are only averages and are, therefore, better interpreted through graphical representation (Ai & Norton, 2003; Driga et al., 2009; Greene, 2010; Hoetker, 2007; Zelner, 2009). This can be seen in Fig. 2. The figure is composed of 3 graphs with common X-axis. The top graph shows the difference between the correct (dots) and incorrect (line) marginal effect. The middle graph shows the statistical significance of this marginal effect. When the predicted propensity to purchase (X-axis) for a given individual (after model estimation) is below 0.45 the parameter of the interactive term is positive and significant (Y-axis) above 5% ($p < 0.05$). When the predicted propensity to purchase remains between 0.45 and 0.65, we cannot rule out the null hypothesis that the parameter of the interactive term is different from zero. Finally, when the predicted propensity to purchase is above 0.65 the parameter is negative and significant (P-value < 0.05). Graphical analysis suggests that there are positive synergies between cultural distance and CoO effect in taking the decision of purchasing only for those consumers with relatively low probability of purchasing (< 45%). For more insights about the acceptability or not of hypothesis 2b we can look at the distribution of the predicted probabilities in the histogram shown at the bottom of Fig. 2. As observed, whilst a minority of consumers in the sample has a predicted probability above 0.65 (only 264 individuals − 5.07%), most consumers have a likelihood of purchasing below 0.45 (4,282 consumers − 82.34%). Therefore, our finding indicates that approximately eight out of ten consumers are positively influenced by the mutual effect of cultural distance and Britishness. This implies that we can accept our hypothesis 2b for a significant portion of the sample. In conversations with the industry partner this result is received positively as this means they can enhance consumer knowledge of the digital service by deploying exotic attributes in culturally distant countries. This finding confirms previous results from Lobb et al. (2007) and Michaelis et al. (2008) for other contexts.

Hypothesis 3 a proposes that individuals devoting high value to a Brand have a larger likelihood of purchasing digitalized cultural content from the same Brand than those individuals with low influence of the Branding effect, corroborated when parameter β_{3a} is positive. According to the second column in Table 6 and considering the rest of variables remain constant (et ceteris paribus), an increase of 1% in the

Table 6
Binary Choice model (Logit).

Depvar: purchasing intention	Model 1: baseline model		Model 2: Exoticness		Model 3: Flag-Brand	
	Coefficient (Std. error)	Marginal effect (Std. error)	Coefficient (Std. error)	Marginal effect (Std. error)	Coefficient (Std. error)	Marginal effect (Std. error)
Country of Origin	0.934***	0.145***	0.795***	0.124***	0.934***	0.146***
	(0.0520)	(0.0074)	(0.259)	(0.040)	(0.0523)	(0.0074)
Cultural Distance	0.100***	0.0156***	0.0972***	0.0151***	0.100***	0.0156***
	(0.0370)	(0.0057)	(0.0376)	(0.0058)	(0.0371)	(0.0058)
Brand Image	0.104***	0.0162***	0.105***	0.0163***	0.104***	0.0162***
	(0.0224)	(0.0035)	(0.0224)	(0.0035)	(0.0237)	(0.0037)
Exoticness			0.00659	0.0010		
			(0.0120)	(0.0018)		
Congruence					0.000217	0.0000
					(0.0281)	(0.0044)
Male	−0.207***	−0.032***	−0.207***	−0.032***	−0.207***	−0.032***
	(0.0731)	(0.0115)	(0.0730)	(0.0116)	(0.0731)	(0.0115)
Age	0.00367	0.0005	0.00372	0.0006	0.00367	0.0006
	(0.00297)	(0.0004)	(0.00297)	(0.0005)	(0.00297)	(0.0005)
Pay TV	0.228***	0.0353***	0.227***	0.0353***	0.228***	0.0353***
	(0.0749)	(0.0116)	(0.0749)	(0.0116)	(0.0750)	(0.0116)
Sweden	−0.00725	−0.0011	−0.00453	−0.0007	−0.00728	−0.0011
	(0.280)	(0.0434)	(0.279)	(0.0434)	(0.280)	(0.0434)
Norway	0.0370	0.0058	0.0370	0.0058	0.0369	0.0058
	(0.233)	(0.037)	(0.233)	(0.037)	(0.233)	(0.037)
Poland	0.475***	0.0822***	0.474***	0.0822***	0.475***	0.0823***
	(0.169)	(0.0320)	(0.169)	(0.0320)	(0.168)	(0.0320)
South Korea	−1.643***	−0.156***	−1.643***	−0.157***	−1.643***	−0.157***
	(0.412)	(0.021)	(0.413)	(0.021)	(0.412)	(0.021)
Turkey	0.539**	0.0966**	0.539**	0.0966**	0.539**	0.0966**
	(0.218)	(0.044)	(0.218)	(0.044)	(0.218)	(0.044)
UAE	−0.0522	−0.008	−0.0498	−0.008	−0.0523	−0.008
	(0.282)	(0.042)	(0.284)	(0.043)	(0.282)	(0.043)
Brazil	0.960***	0.180***	0.960***	0.180***	0.960***	0.180***
	(0.165)	(0.035)	(0.165)	(0.035)	(0.165)	(0.035)
Colombia	0.789***	0.150***	0.799***	0.152***	0.789***	0.150***
	(0.245)	(0.054)	(0.248)	(0.055)	(0.246)	(0.054)
Mexico	1.491***	0.297***	1.493***	0.297***	1.491***	0.297***
	(0.136)	(0.031)	(0.137)	(0.031)	(0.136)	(0.031)
South Africa	2.033***	0.439***	2.024***	0.437***	2.034***	0.439***
	(0.417)	(0.095)	(0.417)	(0.095)	(0.418)	(0.095)
Netherlands	−0.811**	−0.099***	−0.807**	−0.099***	−0.811**	−0.099***
	(0.399)	(0.036)	(0.398)	(0.036)	(0.399)	(0.036)
Singapore	−0.812***	−0.100***	−0.813***	−0.101***	−0.812***	−0.100***
	(0.229)	(0.022)	(0.229)	(0.022)	(0.229)	(0.021)
Constant	−4.226***		−4.160***		−4.226***	
	(0.854)		(0.864)		(0.857)	
N	5,200		5,200		5,200	
Pseudo R^2	0.1847		0.1848		0.1847	
Log Likelihood	−2,393.80		−2,393.61		−2,393.80	
Wald Chi^2	724.90		724.05		724.96	
Prob > Chi^2	0.000		0.000		0.000	
Correctly predicted						
Buyers	72.39%		72.31%		72.39%	
Non-Buyers	70.74%		70.69%		70.76%	
Total	71.15%		71.10%		71.17%	

Standard error in parenthesis. Level of statistical significance: ***, **, * denote statistically significance of 1%, 5% and 10% respectively. France is the baseline group for country category. Indonesia was removed from the logit by the statistical software. The parameters concerning exoticness and congruence are average coefficients and marginal effects and hence they do not depend on the probability of purchasing of the consumer, this information can be found on Figs. 2 and 3.

brand value index leads to an increase of 0.0162 percentage points in the likelihood of an individual purchasing (P-value < 0.01). Consequently the results in Table 6 validate Hypothesis 3a. When the logistic regressions are run for specific countries this result is positive and significant only for Sweden, Poland, Turkey, Mexico and South Africa.

The fact that the parameter of brand value is significant for few countries seems to suggest that the CoO effect is more powerful than brand value in determining consumers' purchasing decisions. To determine which of these two effects is stronger on consumers' purchasing decisions we can use the (change in) pseudo-R^2 when introducing one or the other variable into the model. When a model is estimated with only Branding Value (and control variables) the pseudo-R^2 equals 0.0947. When the model is instead estimated with only CoO effect (and control variables) the pseudo-R^2 is 0.l809, which is nearly the same as the one shown in the table below when all parameters are estimated (0.1847). This reinforces the idea that though both variables are relevant in statistical terms, CoO effect analysed in the context of this study seems to be stronger than company brand image.

Concerning the moderation effects Hypothesis 3b states that there is a positive mutual effect of brand image and Britishness, dubbed flag-brand congruence, in enhancing consumers' probability of purchasing digitalized cultural content implying that β_{3b} is positive. The result is analyzed in columns 5 and 6 of Table 6, in which the parameter is statistically not distinguishable from zero. Though, more detailed graphical analysis is exhibited in Fig. 3. When the predicted propensity to purchase (X-axis) for a given individual is below 0.3 the parameter of

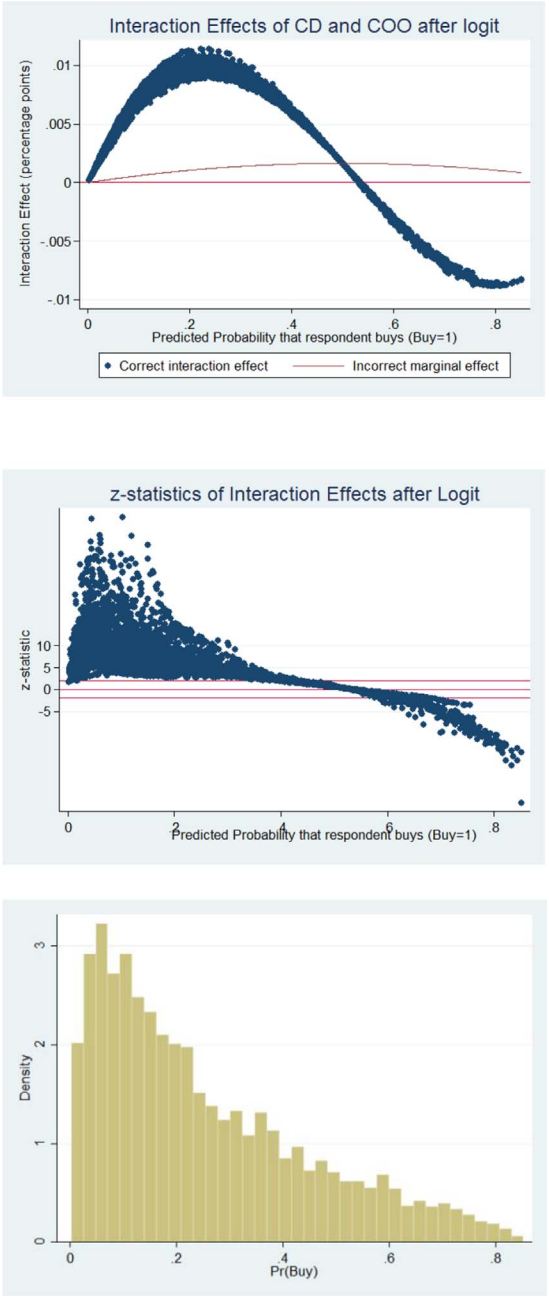

Fig. 2. The graphical analysis of the parameter related to 'Exoticness' measured as the interaction term between Cultural distance (CD) and Country of Origin CoO.

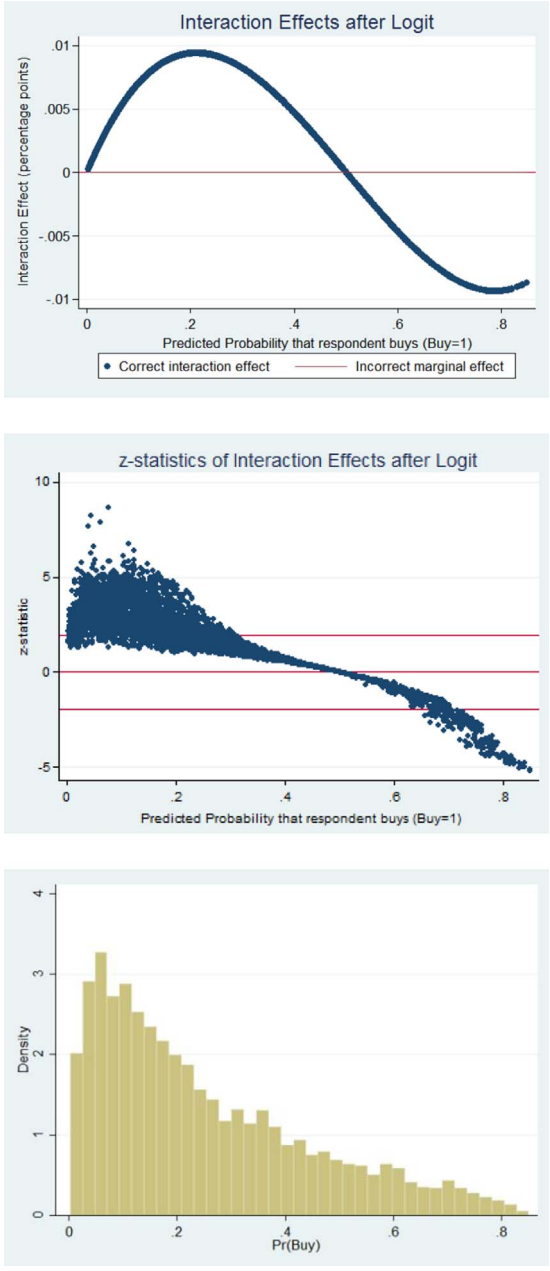

Fig. 3. The graphical analysis of the parameter related to 'Congruence' measured as the interaction term between Brand Image (BI) and Country of Origin CoO.

the interactive term is positive and significant (Y-axis) above 5% ($p < 0.05$). When the predicted propensity to purchase remains between 0.3 and 0.7, we cannot rule out the null hypothesis that the parameter of the interactive term is different from zero. Finally, when the predicted propensity to purchase is above 0.7 the parameter is negative and significant (P-value < 0.05). Graphical analysis suggests that flag-brand congruence is especially important for those consumers with relatively low propensity to purchase (< 0.30). When looking at the distribution of the predicted probabilities in the histogram shown at the bottom of Fig. 3 it can be observed that actually a minority of consumers in the sample has a predicted probability above 0.7 (only 167 individuals − 3.21%). However, most consumers have a likelihood of purchasing below 0.3 (3,440 consumers − 66.15%). Therefore, two thirds of consumers might be positively influenced by a congruent strategy towards country and brand image, so we can partially accept our hypothesis 3b. The two thirds of consumers with less likelihood of purchasing the digital service can be captured based on a congruent strategy of CoO and company brand image. Findings support strategies that strengthen the mental association made in the minds of consumers between the UK and Company A. This finding confirms previous results from Diamantopoulos et al. (2011), Godey et al. (2012), and Mohd-Yasin et al. (2007) for other contexts.

We have performed two additional analyses concerning brand image that due to space limitations are not reported in the tables. First, we estimated the interaction of brand image and cultural distance on purchase intentions. The parameter appears to be non-significant in both tables and graphical analysis. Second, we have developed an extra exercise to test if Company A's brand is actually congruent with the UK country image. We asked consumers to rank from 1 (totally disagree) to 5 (totally agree) the Britishness of 19 items, including the Company A brand, the Royal Family, Fish and Chips Shakespeare, James Bond, London, Harry Potter, David Beckam, Union Jack, Winston Churchill, Premier League, Cricket, History and Heritage, The Loch Ness Monster,

Countryside, Kate Moss, Bulldog, and Roast Beef. The Brand of Company A was third in the ranking with an average of 4.48, not far behind London (4.61) and the Royal family (4.52) that recorded the highest scores. Some items had an average below four (Countryside, Fish and Chips, Kate Moss, Bulldog, and Roast Beef). This result provides some robustness to our assumption that UK flag and Company A brand are congruent.

5. Discussion and conclusions

5.1. Academic implications

This study contributes to the current research on how geographical and brand specificities influence the internationalizations patterns of Multinational Enterprises (MNEs) in digitalized industries. Our results provide contributions to the international business literature with respect to the CoO lens. The literature on CoO has a long tradition of analysing how consumers use the 'made in' as well as branding labels to inform their decision when purchasing a physical product (Balabanis & Diamantopoulos, 2011; Berry et al., 2015; Godey et al., 2012; Koschate-Fischer et al., 2012; Melnyk et al., 2012; Papu et al., 2007). However, we argue that the theory on CoO needs to be revisited when studying the context of an increasingly popular setting: culturally-based digital services.

In this respect our research draws on the literature of value-in-use (Bowman & Ambrosini, 2000; Lepak et al., 2007; Vargo & Lusch, 2004, 2008) to argue that culturally-based digital services are substantially different to physical products and non-digital services. This context is particularly relevant because, unlike physical products and non-digital services, digital services are characterized by free-replicability and non-excludability and therefore its path to internationalisation is not affected by production and transportation costs (Blum & Goldfarb, 2006) or temporal barriers (Rifkin, 2014). In addition, due to its intangible nature the intrinsic characteristics of digital services are subjective and experiential (Fandos & Flavián, 2006; Glückler & Sanchez-Hernandez, 2014; Srinivasan et al., 2004). When making a decision to purchase culturally-based digital services consumers resort to extrinsic cues. The theoretical implication is that the importance of extrinsic cues at the time of making purchasing decisions depends on the context of analysis.

Our empirical design elicits the consumer demand for a television subscription package that a UK MNE, Company A, seeks to internationalize to various developing and developed countries. Based on our theoretical setting we use a set of relevant extrinsic cues to explain the purchasing intentions of consumers. An important contribution is that, despite that some extrinsic cues have been frequently used (CoO and brand image), others are novel in the consumer research literature (cultural distance, exoticness, and flag-brand congruence). A further academic implication of this study is the creation of a new measure of CoO effect for cultural digital services produced in the UK, referred to in this research as 'Britishness'. The construction of this CoO measure can pave the way for the development of comparable measures for other digital services in different countries. The importance and robustness of our results is underpinned by the use of a large dataset containing 5,200 valid data points. The size and the scope of the sample is larger than previous studies on the same topic (Balabanis & Diamantopoulos, 2011; Godey et al., 2012; Jin et al., 2015; Lee et al., 2014). Our findings support the empirical hypotheses that all the extrinsic attributes analysed are positively associated to consumer purchasing intentions.

Remarkably when comparing the different extrinsic cues analysed CoO seems to be more significant than brand image and cultural distance in explaining consumer purchasing. In fact, when running regressions with country subsamples, we find that whilst CoO is significant for all countries, brand image is significant in only five out of the fourteen countries analysed. An explanation as to why CoO is more important than brand image may be related to the international product life cycle (Vernon, 1979). As suggested by (Godey et al., 2012, p. 1463), "A brand gradually takes on the function of a summarizing construct in the eyes of customers, as they grow increasingly familiar with the brand. The greater the familiarity, the less the customer will consider CoO effect." Since our study is based on the analysis of a very new digital service, consumers in different international markets might be unfamiliar with the brand, hence relying more on the CoO image as a source of information (Pecotich & Ward, 2007).

The analysis of synergies and complementarities between complex managerial variables is of growing interest in management literature (Ennen & Richter, 2010). In that respect the present work responds to the call to identify new moderating variables in the relationship between CoO and purchasing decision (Pharr, 2005). Our findings confirm that the internationalization of cultural content in culturally distant countries provides the potential to create niche markets (Cooper et al., 1986) and subsequently capture more consumers. As suggested by previous work (Ai & Norton, 2003; Driga et al., 2009; Greene, 2010; Hoetker, 2007; Zelner, 2009) we show a graphical analysis of these interactive effects. The analysis shows that both exoticness (the interaction of CoO and cultural distance) and flag-brand congruence (the interaction of CoO and brand image) positively influence the purchasing decision of consumers that are hesitant when making a purchase. This is important as it demonstrates that extrinsic cues reinforce each other and improve the selling capacity of digital services. A line for future research inquiry is to examine the mechanisms behind consumer choice using combinations of extrinsic cues. In that regard, other moderators such as cultural openness or passion for learning new things from other world regions should be included in the model.

5.2. Managerial implications

Digital services is a growing industry and an area in constant evolution. The giant MNEs of the internet employ their significant resources to ensure they maintain a leading position in the competitive arena (Vendrell-Herrero et al., 2017). All are focused on increasing their global market share, and use different mechanisms to lock-in consumers. As an example, Apple revenues on products are dropping at 8% in 2016, and the company is shifting its focus on the digital service division, including App Store and Apple Music, that is currently growing at 24% per year (Bradshaw, 2016).

Company A is seeking to internationalize the cultural content produced in-house in the form of digital services. Our results confirm the theoretical predictions that the firm (as well as other firms in the same circumstances) should resort to extrinsic cues to promote their offer. We must acknowledge that Company A as well as other firms in the industry are experimenting with windowing strategies as a way of showing consumers partial content for free, in order to attract consumers to purchase the full product (Parry, Pogrebna, & Vendrell-Herrero, 2017). Despite the difficulties in implementing these strategies −i.e. the rate of conversion is relatively low and there is a threat of piracy (Bustinza, Vendrell-Herrero et al., 2013; Rifkin, 2014) − there is an implicit belief that windowing can pave the way in the use of intrinsic cues in the sector of digital services.

Governments worldwide are sensitive to subjects related to their cultural industries and this research will be of interest to policy makers. The positive effect of 'Britishness' in engaging foreign consumers demonstrates that continuous and significant public and private investment in British cultural industry organisations enhanced their international competitiveness when their offer became digital. This is in line with Porter's (1990) view that the success in international foreign markets is greatly underpinned by the competitiveness of a firm's home base country.

5.3. Limitations and future research avenues

This study has analysed the internationalization of digital services, a context of increasingly importance in international business. The

analysis of the relationship between extrinsic cues and consumer's purchasing intentions is only a first step. With the introduction of cultural distance as well as country fixed-effects our work identifies some heterogeneity in how markets perceive culturally-based digital services. This opens a line for future research examining which countries should be prioritized through an international market selection exercise (Ronen & Shenkar, 2013). Another important aspect for future research is the mode of entry in those countries.

We acknowledge that our measure of cultural distance has limitations such as the illusion of symmetry (Shenkar, 2001). However, despite such limitations, it has been used in previous consumer research studies; though its underlying rationale on that specific occasion was to explain differences in corporate behaviour. To strengthen our analysis, as outlined above, we have included an additional set of culture measures (GLOBE) in order to reinforce the robustness of our findings. Yet, we agree that the development of new measures that help better explain cultural differences at an individual level, would be important research contributions in ever increasingly globalized markets.

Additionally, the choice of context is important as it emphasizes the specificities of consuming cultural content embedded in digital platforms, e.g. media services. In this vein, our findings seem to indicate that culturally based digital services do not seem to fit neatly into established product/service classifications given the degree to which the rapid global expansion of media services is re-shaping the producer-consumer cultural alignment. Therefore, an avenue for further research is to (re)examine the popular classifications of products and services, e.g. low involvement vs high involvement (Ahmed et al., 2004), luxury vs necessary (Godey et al., 2012), conspicuous vs inconspicuous (Piron, 2000), capturing other binary aspects such as cultural alignment.

As most of the studies based on survey data the current work is cross-sectional and hence is focused on a single point of time. A longitudinal study may help provide greater understanding of preference evolution in markets through the capture in changes in attitude over time. In addition, the purchase propensity is based on attitudes rather than actual behaviour and hence this research is subjected to hypothetical bias. Going forward, as we gain larger and more detailed data (including laboratory experiments), we will be able to accurately identify the dynamics and behaviours towards culturally-based digital services. Similarly, access to bigger consumer databases will also allow for better understanding of the process of international expansion and promotion strategies of MNEs operating in cultural industries.

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