Origin Location Advantages in Online Markets for Foreign Branded Products

Emergent Research Forum Paper

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Abstract

Internet technologies and e-commerce have significantly reduced communication and search costs and facilitated trade between distant parties. Conventional wisdom holds that the world becomes flat and geographic divisions are gradually irrelevant. However, recent studies suggest that geography is still important—physical realm can shape the digital world. This study explores in depth the role of geography in online exchanges of foreign branded products. We propose and verify the existence of origin location advantage using a large data set collected from both an e-commerce retail platform and the official websites of a foreign brand. We empirically examine whether and how geographic location affects online sellers’ pricing strategies and transaction quantities. Furthermore, we explore how the location advantage interacts with two classical informational signals—seller reputation and seller’s observable effort in online markets.

Keywords

Online market, e-commerce, location, home bias, origin location advantage