Changing Perceptions of Companies’ Website from Foreign to Local: An Experimental Study of Website Localization Strategies

Research-in-Progress

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Abstract

Website localization is important for companies to do business in the international market. This paper-in-progress explores website localization strategies and their effects. Drawing from social identity paradigm, we develop two website localization strategies: Similarity strategy (leveraging similarities with local people to positively influence consumer attitude towards foreign companies’ websites in website design) and Prosocial strategy (bringing benefits to local people to enhance consumer attitude towards foreign companies’ websites in website design). We also propose hypotheses about how these two strategies affect perceived website localization, trust and purchase intention through perceived similarity and perceived support. An experimental study will be conducted to validate the hypotheses in Mainland, China.

Keywords: Website localization, strategy, similarity, prosocial, experiment
Globalization and Cultural Issues in IS

Introduction

By leveraging the Internet, many firms are able to introduce and sell their products to customers all over the world through their websites. Global e-commerce is increasingly important for not only firms but also consumers. The sales of global B2C e-commerce market will reach $1.5 trillion in 2014 (eMarketer 2014). Moreover, according to reports (GlobalWebIndex 2014; Miglani 2012), the world online users will reach 3.5 billion by 2017 and more than 66% of the world's online population have purchased online even in 2014.

In global e-commerce, websites are arguably the most important channel to provide opportunities for companies to do business in international marketplace. The design of websites will determine their roles in global e-commerce. There are two general ways for designing websites for different countries: standardization and localization. First, website standardization refers to using a common website with only language translation for every country (Singh and Pereira 2005). In contrast, website localization is the process of customizing a website for a specific country. Localization makes a website seem natural or “local” to their users (Singh et al. 2009). To localize their website, foreign companies can apply website localization strategies to their website design which incorporates specific website elements or functions to localize websites (Cyr et al. 2009). Emerging studies have investigated the effectiveness and importance of website localization (Singh et al. 2006a; Singh et al. 2006b; Tixier 2005). For example, Singh et al. (2006a) demonstrated website adaption can increase online consumers' attitude towards websites and their purchase intention of websites owners’ products. Tixier (2005) also showed that, through effective website localization, a firm could increase its online sales by 200%. Consequently, we believe that website localization is a significant trend for global e-commerce and that a firm’s website with only language translation impedes brand building and development in local countries.

Website localization has received attention from researchers (e.g. Hung et al. 2011). Previous international marketing literature have also discussed adaptation or localization strategies, but they focus more on marketing mix, resource allocation (Jain 1989; Szymanski et al. 1993), environmental and market determinants (Yip 1997), advertising and communication (Solberg 2002) and performance measurement (Lages et al. 2008) rather than localized website design and analysis. In website localization literature, they mainly understand the phenomenon from the cultural perspective (Singh et al. 2010; Singh et al. 2005). They have shown the effectiveness of website localization for different countries' consumers and developed several frameworks to measure the website localization based on several cultural models (Singh and Matsuo 2004; Singh et al. 2009; Singh et al. 2003). The cultural models include Hofstede's cultural value framework (Hofstede 1983), communication context (Hall 1959) and cultural level framework (Schwartz 1994), etc. Other studies discuss the role of specific components of website in website localization to provide specific guidance to practice. The specific components they have talked about are banner ads, icons, language, layout, menus, etc. (Cyr and Trevor-Smith 2004; Gibb and Matthaiakis 2007). However, the questions, which localization strategies are effective, and why and how they influence local users' perceptions, are still relatively unclear. Thus, this study focuses on the effect of website localization strategies on local users' trust towards foreign companies' websites and their purchase intention of the foreign company's products. Although in previous literature, culture frameworks are important and have been widely used, our study probes more deeply into one specific cultural aspect: making ingroup member feel that an outgroup website can be categorized as a local one, through the process of reducing the intergroup distance and enhancing the intergroup relationship (Singh et al. 2009), drawing on social identity theory (SIT), self-categorization theory (SCT) (Postmes et al. 2001) and common ingroup identity theory (Gaertner and Dovidio 2000) to study website localization. Specifically, the objectives of this research-in-progress are:

1. What website localization strategies make local people perceive a foreign company’s website as local?
2. How website localization strategies influence people's trust towards a foreign company’s website and their purchase intention of the company’s products?

To achieve these objectives, we will structure the rest of this paper as follows. In the second section, we will develop a research model to explore the underlying mechanisms of website localization strategies. In the third section, we will test the effectiveness of website localization strategies through a controlled lab experiment and report the results. In the fourth section, we will discuss the findings, relevant implications, limitations and suggestions for future research.
Theoretical and Hypotheses Development

Social identity theory (SIT) mainly posits that people tend to categorize themselves into some specific social categories to distinguish themselves from others, and acquire their self-image from the emotional and evaluative consequences of such group membership to form a social identity (Tajfel and Turner 1986). Self-categorization theory (SCT) extended SIT and assumes that specific social identity will be salient because of the accessibility and fit with some social categories and people will depersonalize themselves under the salient social identity (Turner et al. 1987). Given SIT and SCT are theories about intergroup relationship and group process which can help us analyze and explain website localization strategies and their effect, we develop hypotheses to systematically study website localization strategies and their cognitive mechanisms based on SIT and SCT.

A review of past research unveils two main strategies that firms employ for localization: similarity strategy (Ren et al. 2007) and prosocial strategy (Tidwell 2005). This research adapts these two strategies to the context of website localization: website similarity strategy and website prosocial strategy. Website similarity strategy can reduce perceived social distance by highlighting similarities between local users and foreign companies’ website because such similarities make foreign companies and their websites be attractive and familiar towards local users. Thus, the foreign companies’ website will be more trustable and seem like local website, through the processes of unit grouping, trust transference (McKnight et al. 1998; Stewart 2003) and identity recategorization (Gaertner and Dovidio 2000). Website prosocial strategy blurs social boundaries through showing or providing pro-social benefits or deeds such as charity events, sponsorships of local sports events, etc., that helps to enhance social approval of such foreign companies. Then, the approval from local users will also make the foreign company’s website be more like local website. Here, the term “prosocial” comes from prosocial behavior, defined as behaviors which are expected to benefit a particular person or group of people (Wispé 1978). We will discuss the two strategies separately.

Website Similarity Strategy

According to SIT, people are more favorable to in-group members than out-group members, through positive association with their social identities (Crocker and Schwartz 1985). To be closer toward in-group members, out-group members can show that they possess some features which make them similar to in-group members in ways that will increase their attraction to in-group members (Hoffman and Maier 1966). The increased attraction can help to build cohesive relationship between in-group members and out-group members to some extent, and thereby make in-group members identify more with out-group members (Hogg and Terry 2000).

Drawing on SIT, we define website similarity strategy as one which leverages on in-group features to transfer positive attitudes toward in-group members to out-group members in website design (Shi et al. 2013). In the website design context, foreign companies can add local elements or information (e.g., calligraphy, cheongsam, dragon and Chinese knot for Chinese websites) in websites to increase similarities and relatedness between them and local people. If similarity is recognized and works effectively, people will perceive the localization of a website to be high. Thus, we hypothesize:

\[H1: \text{The website similarity strategy will improve local people's perceived similarity with foreign companies' websites.}\]

Website Prosocial Strategy

Website Prosocial strategy presents altruistic actions of out-group websites for in-group members-the consumers, so as to raise their positive attitudes towards the website (Brief and Motowidlo 1986). The term prosocial comes from prosocial behavior in social psychology discipline. General prosocial behaviors include helping, sharing, donating, cooperating, and volunteering which can be done by out-group members to in-group members (Dovidio et al. 2006). Such behaviors will enhance in-group members' feeling of support and solidarity from out-group members, which conveys the interest and concern of out-group members towards in-group members. They emphasize the stake and relatedness between the in-group and out-group, and thereby signaling and recognizing the importance of the social identity to which the in-group subscribes to (Nadler et al. 1983). In website localization context, foreign companies can
show the altruistic benefits which are brought by the foreign companies to local people or society. The prosocial behaviors of the foreign company shown on the websites would affect consumers’ perception of those organizations (Rhoades and Eisenberger 2002). They will make consumers perceive the out-group website to be caring for the well-being of the local community (Eisenberger et al. 1986). Therefore, we hypothesize:

\[ H2: \text{The website prosocial strategy will improve local people’s perceived support to local community.} \]

**Underlying Mechanisms and Perceived Website localization**

When local users perceive the similarity between them and foreign companies’ website, the foreign companies and their websites will be attractive to local users based on similarity-attraction hypothesis (Hoffman and Maier 1966). The increased attraction of foreign companies and their websites will make local users identify them, that is, perceive foreign companies’ website as local (Hogg and Terry 2000). Meanwhile, when local users become aware of the pro-social support from the foreign companies through the websites, it signals the recognition by the foreign firm of the importance placed on local market, and the need to appear helpful to the local community. This demonstrates commitment and common destiny with the local community. Such support will help to boost the local users’ needs for positive self-esteem, approval and affiliation (Lee and Peccei 2007). This needs fulfillment and altruism displayed by the foreign firms indicates involvement, empathy, care, common destiny, and increased relatedness, which makes people attach and identify more with the foreign companies and their websites, according to the common ingroup identity theory of Gaertner and Dovidio (Gaertner and Dovidio 2000; Gaertner et al. 1993). The theory posits that activities/strategies (e.g. participating in cooperative tasks) can be introduced to induce ingroup members to conceive outgroup members to be part of the same group (common identity) through a recategorization process. This should increase perceived group homogeneity (Gaertner and Dovidio 2000; Gaertner et al. 1993). Thus, the increased sense of similarity, relatedness and common identity should enhance users’ perceptions of foreign companies’ website as more like local website (Rhoades and Eisenberger 2002). Therefore, we can hypothesize:

\[ H3a: \text{Perceived similarity with local elements will positively affect perceived website localization.} \]

\[ H3b: \text{Perceived support to local communities will positively affect perceived website localization.} \]

**Effect of Perceived Website Localization on Trust and Purchase Intention**

In this study, trust towards the website refers to the willingness to depend on the foreign companies’ websites and engage in trust-related behaviors (McKnight et al. 2002). To develop trust, people have to depend on shared features or common values between them and the web vendors (McKnight et al. 1998). In website localization context, localization strategies enhance similarity and relatedness between the foreign companies and their websites, and local users, moving towards a more common identity, by sharing similarities between foreign companies’ website and local users or providing support for local users to bridge the intergroup boundaries. Thus, the localizations strategies will evoke local users trust towards foreign companies’ websites (Kramer et al. 1996).

\[ H4: \text{Perceived website localization will positively affect trust towards the website.} \]

Since local users are likely to identify with the foreign companies and their websites to some degree when they perceive the foreign companies and their websites as being localized, they will produce favorable attitude towards the foreign companies and their websites (Kelman 1958; Tajfel and Turner 1986). Based on Theory of Reasoned Action (TRA), favorable attitude towards some objects will lead to positive intention to approach and adopt them. Jarvenpaa et al. (2000) has shown positive attitude towards an internet store will increase people’s purchase intention in the store. Given people identify with and favor the foreign companies’ website, we hypothesize:

\[ H5: \text{Perceived website localization will positively affect local consumers’ purchase intention.} \]
Methodology

To test the research model, we will conduct a between-subject experiment with 2 (similarity strategy: with vs without) by 2 (prosocial strategy: with vs without) design. Both similarity and prosocial strategy will be manipulated in website design.

According to US International Trade Administration (2009), e-commerce websites can be categorized into three types: Transactional sites that process business transactions via the websites, information delivery sites which only provide information about the companies’ products and services to promote corporate awareness, and e-marketplaces which provide online platforms to facilitate the transactions between multiple buyers and sellers. In this study, we will focus on information delivery sites because this type of website makes this study better focus on localization strategies and allow us to rule out confounding factors, such as transaction requirements.

Our goal is to understand how a foreign company is able to develop an effective local website in China. There are two reasons why we will focus on website localization in China. First, China has become the largest e-commerce market in the world in 2013 and online shoppers in China are expected to spend RMB 3.3 trillion (almost USD 530 billion) (Hoffmann and Lannes 2013). Thus, many foreign companies have established a global e-commerce website in this big market. Second, Chinese culture is a typical collectivism culture. The in-group/out-group difference (the basis of the strategies) is more significant in collectivism culture than in individualism culture which will make our research result be more meaningful (Ralston et al. 1992).

Website Localization Strategies and Treatment

To operationalize similarity and prosocial strategies, we explored American 500 top companies’ Chinese websites (N=164). Based on previous literature (Singh 2011; Singh and Matsuo 2004) and our exploration, we identified 34 potential strategies related to website localization. To filter and clarify these strategies, we conducted a pilot with two rounds of interviews and strategies ranking. In the pilot, we invited 40 Chinese people from Mainland China whose ages are from 19 to 26, and these are either university students or university officials. We asked them to vote on which strategies are effective among the list of 34 strategies. We identified 14 effective strategies according to the proportion of effective votes to total votes. The 14 strategies included local symbol, local image, local slogan, Chinese awards, Chinese cooperators, corporate PR/sponsor activities, local history, local social media icon, local subsidiary information, loyalty program, local discount and promotion, corporate social responsibility, mission/vision statement, special plan/product for local market, customization service.

To select two strategies which best represent similarity and prosocial perspectives, we interviewed 18 Chinese website users. We asked them to sort the 14 strategies into similarity and prosocial strategies, and then vote on the most effective strategies within similarity and prosocial strategies. We found that local history (LH) and corporate social responsibility (CSR) have more votes than other strategies. Therefore, LH and CSR are chosen to represent similarity and prosocial strategies, respectively. Local history reveals the development period and events of foreign companies in local country and community. Meanwhile, corporate social responsibility reflects the foreign companies’ prosocial behaviors towards local country and community.

We will build a fictitious foreign company’s website and manipulate different strategies according to experimental design. In terms of LH manipulation, the website will show the development history of a foreign company in China. The history includes important events and dates, like cooperating with prominent local companies, launching a new office or marketing center in some cities, releasing new products or plans for local consumers and market, etc. In terms of CSR manipulation, the website will present the foreign companies’ socially responsible activities in China. The activities include donation to local communities or local disaster area, environmental protection activities in local community, and career development opportunities for local employees, etc.
**Participants**

Subjects in this experiment will be undergraduate students in a university in Mainland China. According to the statistic report of CNNIC (2014) and CNNIC (2012), the age of the largest segment of Internet users in China is from 20 to 29 (more than 30%) and the age of largest segment of online shoppers in China is from 18 to 30 (more than 60%). Thus, this sample can be representatives of Chinese e-commerce users. Meanwhile, all the subjects are Chinese which are appropriate for this study context. The student subjects will receive gifts for their participation.

**Experimental Task and Procedures**

We will randomly assign student subjects to different treatment groups and ask them to judge the degree of perceived website localization of the webpage assigned. The experimental procedures will be organized as follows. The subjects will be assigned randomly to different computers with different webpages and questionnaires after they arrived. Then we will brief them about the experiment task and action requirement. After our briefing, we will clarify any questions before asking them to begin the task. Every subject will be required to view the webpage at least three minutes and fill the corresponding questionnaire.

**Measurements**

**Independent variables**

The independent variables in this study are similarity strategy and prosocial strategy. Both of them will be manipulated through different website interface designs.

**Dependent variables**

The items and sources of different dependent variables have been listed in Table 1. All the dependent variables are adapted from previous literature and will be tested by using seven-point Likert scale.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived similarity with local</td>
<td>1. This website has a lot in common with other Chinese websites.</td>
<td>Stewart (2003)</td>
</tr>
<tr>
<td></td>
<td>2. The elements in this website have a lot in common with the elements of other Chinese websites.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. The website has a lot of similarities with my Chinese identity.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. This website and other Chinese websites are similar.</td>
<td></td>
</tr>
<tr>
<td>Perceived support to local</td>
<td>1. The website shows the company will strongly considers our goals and values.</td>
<td>Eisenberger et al. (1986)</td>
</tr>
<tr>
<td></td>
<td>2. The website shows the company will care about my well-being.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. The website shows the company will care about my general satisfaction.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. The website shows the company will care about my opinions.</td>
<td></td>
</tr>
<tr>
<td>Perceived website localization</td>
<td>1. The website is cultural adapted</td>
<td>Singh et al. (2006b)</td>
</tr>
<tr>
<td></td>
<td>2. The website is established for local people</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. The website is well localized</td>
<td></td>
</tr>
<tr>
<td>Trust to website</td>
<td>1. This website is trustworthy.</td>
<td>Bart et al. (2005)</td>
</tr>
<tr>
<td></td>
<td>2. My overall trust in this website is.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. My overall believability of the information on this website</td>
<td></td>
</tr>
</tbody>
</table>
An Experimental Study of Website Localization Strategies

<table>
<thead>
<tr>
<th>Purchase Intention</th>
<th>Putrevu and Lord (1994)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. It is likely that I will buy this company’s product.</td>
<td></td>
</tr>
<tr>
<td>2. I will consider purchasing the company’s product the next time I need one.</td>
<td></td>
</tr>
<tr>
<td>3. I may try the company’s product.</td>
<td></td>
</tr>
</tbody>
</table>

Table 1. Dependent Variables

Preliminary Test of Website Localization Strategies

To know whether current website localization strategies are effective, we examined the effect of LH and CSR on purchase intention. The sample is 82 University students in Mainland China, of which 63 are females and 19, are males. The range of their age is from 18 to 22. We tested the two strategies by designing three different website interfaces (LH, CSR and control group).

ANOVA was conducted to analyze the data collected. As illustrated in Table 2, results show that both LH and CSR treatment groups are significantly different from the control group which does not apply any strategy in terms of level of purchase intention (F=4.003, P<0.05).

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>6.361</td>
<td>2</td>
<td>3.181</td>
<td>4.003</td>
</tr>
<tr>
<td>Within Groups</td>
<td>61.182</td>
<td>77</td>
<td>.795</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>67.543</td>
<td>79</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2. Result of ANOVA

Discussion and Conclusion

Social identity paradigm offers a theoretical grounding for studying the processes underlying website localization. The major contributions of this research-in-progress are to provide a theory-based understanding and to explore effective website localization strategies. We develop similarity and prosocial strategies based on SIT and SCT. We also explore relevant underlying mechanisms of perceived similarity and perceived support. Moreover, we propose several hypotheses to depict the whole picture of how website localization strategies work. The categorization will help us to have a clearer understanding of website localization strategies and the underlying processes that open up the black box of the effects of website localization strategies. Through validating the hypotheses, we can explain website localization better. Moreover, our research results can be extended to other countries because SIT and SCT have been used to understand and explain intergroup related phenomena in different countries (Wetherell 2010; Yuki 2003).

This research-in-progress will also bring practical guidelines to companies which intend to conduct e-commerce in other countries. Specifically, they can explore or create similarities with local consumers through their website to increase their affect and attractiveness to local consumers, which would promote trust or purchase intention. To employ local cultural artifacts that are popular among local consumers is important for signaling similarities in their website. They also can involve themselves in local communities and bring value to local consumers, and then display such prosocial activities in their website, to enhance local consumers perceptions of the relatedness and support offered to the local community. The information about charity activities held by foreign companies in the website is a direct application of prosocial strategy.
Globalization and Cultural Issues in IS

This research-in-progress also has some limitations: (1) It only explores the underlying cognitive mechanisms. Local users may evoke some emotions when they face the website localization strategies. It has been revealed that emotions do influence people's social categorization process and people's behavior in e-commerce (Eroglu et al. 2003; Livingstone et al. 2011). Future studies can investigate the impact of emotions on localization. (2) The number of different gender in the preliminary test is unbalanced. In the preliminary test, males only accounts for 23% in the sample which is much less than the number of females. According to Chinese online shoppers' behavior (iResearch 2014), the number of female shoppers is 9% less than male shoppers while females have higher shopping frequencies and greater dollar amount than males in China. Thus, the unbalanced gender percentage in this study does not reflect the actual gender distribution. The issue of unbalanced gender distribution can be explored in subsequent follow-up studies. (3) Our study only involves subjects of one culture. Comparative cross-cultural studies may be conducted in future research to investigate whether the localization strategies can be effective in multiple cultural contexts. (4) We only focus on one type of e-commerce websites: information delivery site. Generalizability can be enhanced by replicating the study using the other two type e-commerce websites.

In conclusion, this research-in-progress proposes website similarity and prosocial strategies as website localization strategies based on social identity and self-categorization paradigm. We theorize their effect on perceived website localization, trust and purchase intention and explain their underlying processes. This research-in-progress tries to have a better understanding of how website localization strategy works in both theory and practice.

Acknowledgement

This work was partially supported by grants from the City University of Hong Kong [Project No. 7004144] and [Project No. 7002899]

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GlobalWebIndex. 2014. "66% of Internet Users Are Buying Products Online."


Globalization and Cultural Issues in IS


