The impact of service intangibility on service firms’ e-commerce entry strategy: a conceptual framework and research propositions

Abstract
A considerable amount of research has focused on e-commerce technology, but few have treated it in the context of an entry strategy in international business and marketing academia. Existing research has not explored the relationship among service intangibility, cultural factors, and e-commerce entry strategy. Accordingly, this study highlights service intangibility in the proper perspective from both service providers and service recipients and how cultural factors (host country culture) moderate the relationship between service intangibility and the e-commerce entry strategy of international service firms. After a literature review, three propositions are proposed and the authors question whether e-commerce entry strategy differs with the degree of service intangibility, and whether the host country’s culture characteristics that service firms face in the host market with the extent of service intangibility exhibit interactive effects on their e-commerce entry strategy. The authors further discuss other possible sources of effects that may impact the relationship between service intangibility and e-commerce entry strategy (e.g., firm origin, industry type, investment country type, and sample time frame) for a future empirical test, and some practical suggestions and academic directions are also provided.

Keywords: e-commerce (EC); host country culture; service intangibility
Introduction

Service firms in the age of globalization. According to World Bank statistics of 2004, the global service industry occupied a 63% ratio of global GDP and 1249 service firms ranked among the Forbes list of the best 2000 firms. This reflects a phenomenon that service firms have the most development potential in the future trend of globalization (Martin Wolf, 2005). Globalization means service firms have great opportunities to conduct their business in foreign markets. The significant expansion of entering foreign markets by service firms during the last decade has received growing attention among researchers, corporate managers, and policy makers (Li and Guisinger, 1992). Boddewyn et al. (1986) suggest that, although theories of entry strategies can be applied to international service firms, it must be done with extreme caution, because of the distinctive service characteristics of international services. Moreover, under the trend of globalization, the development of Internet and intranet technology has not only expedited the operations’ efficiency and the tension of competition, but also has forced the business scope beyond the boundary of a firm’s traditional businesses. Actually, the digital revolution has had a greater impact on service delivery than on manufacturing processes and has greatly affected how services are marketed (Schuknecht and Perez-Esteve, 1999). Ekelodo and Sivakumar (2004) point out that ‘in light of the increasing number of service firms that are becoming involved in international marketing, an examination of the ways that the digital revolution has affected entry-mode strategies of service firms is necessary.’ As with the above concerns, this paper explores the relationship between service characteristics and digital entry strategy.

The irresistible emergence of digital revolution. Along with the Internet, being significantly free of major environmental barriers (physical, national borders etc.) and having a timely interaction between correspondents are some well-noted characteristics of e-commerce (EC). These features enable businesses to efficiently exchange production and service information, and communicate with customers in dispersed markets and at different buying decision stages. As far as marketing is concerned, the EC brings customers multi-sensory experiences that are not possible with traditional media. Effective use of EC not only enhances customer product knowledge, brand attitude, and purchase intention (Li et al., 2002) in an efficient way, but also improves the quality and quantity of exchanges with current and prospective customers, and efficiently coordinate

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lines of several marketing functions in the marketing management (Cespedes, 1996).

Under such a growing market, the volume of online spending will amount to $700 million in sales for the year 2005 (Perera, 2001), and will further increase. Marketing a brand online means that constantly offering customers customized and relevant communication on an individual basis (Walsh and Godfrey, 2000), thus efficiently making mass customization possible, and consequently creating and fostering reliable customer relationships. This has made EC an essential part that no business can afford to lose. Therefore, managers should be aware of the new entry strategy that EC has made possible, which means that applications of traditional entry strategies for service business are no longer adequate (Ekeledo and Sivakumar, 2004).

**EC entry strategy of service firms.** To operate business in foreign countries, the primary consideration and most critical issue in international market entry strategy is the selection of appropriate entry mode (Terpstra and Sarathy, 1994). Entry mode selection is interpreted to mean an appropriate way for enterprises to enter foreign markets so as to operate their international businesses by exploiting their advantages (Root, 1994). In this study, by extending traditional entry strategies, we limit our discussion on the EC entry strategy to service firms.

There are at least two reasons that service firms will use EC as their appropriate entry strategy. Firstly, services could easily be exposed to those market segments that service firms never reach, which means service online could be viewed as a new entry strategy due to its distinctive features, such as multi-channel, timelessness, and virtual communication (Hoffman and Novak, 1996), which significantly exceed customers’ experiences with an offline or physical environment (Bergstrom, 2000). Therefore, an EC entry may be another appropriate strategy for service firms to enter a foreign market. Secondly, due to our focus on service firms, service characteristics are needed to be considered which may result in either a full EC mode or partial EC mode that is adopted by service firms, because some services that are provided by service firms can be fully digitalized (e.g., data transmission and software programming), while some services can be only partially digitalized (e.g., lodging and restaurants) - that is, service firms have their appropriate EC entry strategy based on service characteristics.

Regarding service characteristics, Erramilli (1990) suggests researchers to examine the unique characteristics of services: intangibility, perishability, heterogeneity, and inseparability (Zeithaml et al., 1985). Of particular importance to us is intangibility, because among the characteristics which differentiate services from products,
intangibility is recognized by a large number of specialists as the most important one (Rushton and Carson, 1989; Rust et al., 1996; Bebko, 2000) and all services can be evaluated according to their degree of intangibility (Shostack, 1977; Zeithaml and Bitner, 2000). It is our belief that intangibility is one of the important factors that is responsible for distinguishing EC entry behaviour in the service sectors. Therefore, the first goal in this paper is to understand how service characteristics influence service firms to adopt digital technology to deliver services into foreign markets - that is, what kind of service characteristics whether full EC mode or partial EC mode will be used by service firms.

**Host country culture.** Schwartz (1999) mentions that adapting to local cultural values, including a nation’s political economy, education, religion, and language, may create an additional burden for firms operating in different countries (Tihanyi et al., 2005). This implies that cultural differences between host cultures and home country cultures of a firm frequently influence the entry strategy (Kogut and Singh, 1988), and this is particularly true of international service firms, because the services that are marketed reflect a society’s nature and values (Ekeledo and Sivakumar, 2004). Scholars (Brouthers and Brouthers, 2001; Tihany et al., 2005) write that it is apparent to see that the conflict between a firms’ culture and the inconsistency toward a firms’ cognition all result from discrepancies in national cultures. For the example of car purchasing, assume the Internet infrastructure of each host country is equal. People in some countries thus find it easier to participate in purchasing a car through the Internet, because they have made it a habit to purchase things on-line. On the other hand, people in some countries will feel more comfortable to deal only in traditional brick-and-mortar stores, because they are used to the culture of ‘seeing is believing.’ Therefore, in this study we focus on host country cultures that might have impacts on the way that service firms adopt EC entry strategy to reach a foreign market.

Synthesizing the above discussions, cultural difference is an important factor which influences the EC entry strategy of service firms. Shenkar (2001) suggests that researchers can consider cultural factor as a quasi-moderator variable altering the form if not the strength of the relationship between environmental and strategic variables. This focus allows us to see the main effects of service firms’ specific service characteristics on EC entry strategy as well as the moderating effects of cultural difference between service characteristics and EC entry strategy.

Figure 1 shows our conceptual framework which explains the relationship among service intangibility, cultural difference, and EC entry strategy.
Literature Review and Propositions

The literature review contains several portions and three main propositions for discussing the relationship between service intangibility and EC entry strategy of service firms and also the moderating effect of cultural difference.

The Effect of Service Intangibility on EC Entry Strategy

Service intangibility. Compared to the physical product, customers encounter and perceive an extreme degree of risk and uncertainty when purchasing a service product due to service intangibility, which is one of the fundamental characteristics of services (Wolak et al., 1998). This is the major threat to service quality and customer acceptance sequentially (Parasuraman, et al., 1988). In the past three decades, extant research has devoted efforts in understanding the tangibility and intangibility in service industries. Although achievement is still in its infancy (Santos, 2002), some remarkable findings have identified numerous consequences of intangibility. For example, research has regarded the impacts on the difficulties of evaluating a service before, during, and after a purchase (Bateson, 1979; McDougall and Snetsinger, 1990), selecting between alternatives (Breivik, et al., 1998), as well as the perceived risk (Kurtz and Clow, 1998). The intangibility of services apparently increase customers’ risk (Flipo, 1988), anxiety (Rushton and Carson, 1989), and uncertain perception in various stages of the decision-making process (Trivedi and Morgan, 2003). This may consequently result in a negative attitude toward the services (Rushton and Carson, 1989).

Service firms need to consider how their providing services, embodied in different service intangibilities, will be received or perceived by customers, which then influence
how service firms will operate their business in the host country through an appropriate entry strategy. Considerations for foreign entry mode, such as an inexpensive and ample labor force, an extensive internal market, cheap land and raw materials (Hu, 1996), and some degree of preferential treatment (e.g., service intangibility and cultural differences) for investments in the host country are considered so as to entail different entry strategies by international service firms.

**Continuum of service intangibility.** Shostack (1977) is the earliest to discuss this content and creates a single dimension to describe the continuum of in/tangibility. The difference between physical goods and service products is the degree of tangible elements included in the respective objects. McDougall and Snetsinger (1990) develop a relevant instrument to measure service intangibility. This instrument provides an elementary measurement for service in/tangibility, as well as the customers’ basic impression toward services. In response to the necessity of gaining mental tangibility, Santos (2002) suggests to classify service characteristics on a continuum from “tangible dominant” to “intangible dominant” along the continuum of in/tangibility and to provide “tangible evidence”. As indicated in Figure 2, services can be at any point in the continuum either on the left end that characterizes high intangible components (and low tangible components) or vise versa on the right. In this study we use the term “the degree of service intangibility” to describe the service characteristics of a firm.

![Figure 2 Continuum of service tangibility and intangibility](image)

**Online features in the business operations of service firms.** Information technology (IT) is the underlying force of many radical changes in the marketing context (Lindgreen and Sempels, 2001). Traditionally, marketers adopt various media in a model of passive one-to-many communication in order to reach as many customers and prospects (Dussart, 2001; de Chernatony, 2001). Based on the development of IT, the Internet technology and associated distributed computation help businesses develop and operate a model of interactive multimedia in many-to-many communication (Dussart, 2001; Hoffman and Novak, 1996).
The most prominent characteristic in an environment powered by Internet technology is the substantial increase in the quantity and speed of the exchanges between customers and firms. Multi-channel, concurrent, interactive, instant, and virtual communications are the second group of features distinctive from traditional marketing practices. Third, extended and broader market access with computer-aided technology through which marketers are able to reach new market segments that never achieved through traditional approaches. Fourth, direct transaction and the distribution of goods and services are greatly improved. Fifth, as an open and easy access platform, the Internet represents a new context with a low entry barrier where new businesses are free from the restrictions of entering into competition (Hoffman and Novak, 1996; Mohr et al., 2004). Information regarding customers gathered online forms a valuable venue where marketers can initiate customized communication with consumers and sequentially build customer relationships. The Internet allows marketers to collect and analyze data in continuous and speedy ways at lower costs. This means the Internet utilizes information technology as the building block for customer relationship building (Walsh and Godfrey, 2000).

Turban et al. (2002) define electronic commerce (EC) as ‘through Internet to processing the exchange of products, services, information, purchasing, selling and transformation. EC plays the role of digital revolution, which is also named the Internet/web economy or new economy. Consequently, the new economy of the digital revolution is the spur for service firms to adopt EC entry strategy into foreign markets so as to get more advantages and profits. In the field of academia, Vargo and Lusch (2004) respond to the advent of the EC age by calling for researchers to modify extant international business and marketing models to reflect the increasing impact of service and EC in economic exchange.

**Service intangibility and EC entry strategy.** After discussing the characteristic of service intangibility and the advantages that EC brings to service firms, this section combines the above statements to explore the effect of service intangibility on the level of EC entry strategy that is adopted by service firms - that is, the level of digitalization of EC. This implies that service firms adopt an appropriate EC entry strategy (full EC or partial EC mode) to deliver services to foreign customers based on the degree of service intangibility. Therefore, the following discussions are to understand how service intangibility influences the level of digitalization that will be adopted by service firms.

**The level of digitalization on e-commerce.** Choi et al. (1997) establish a model (shown as Figure 3) to explain the possible combination of three components (product,
agents or players, and process) which can be physical or digital. The three components of a market can be completely physical, completely digital, or a combination of both, depending on the nature of the product. Therefore, for a full EC business, these components can all be digital, which means not only the production, but also its delivery, payment, and consumption. On the other hand, not all of the three components - but at least one component - can be digitalized: partial EC business. For example, to purchase a book from Amazon.com is partial EC, because the book is delivered by physical distribution. However, to purchase an electronic book from Buy.com is full EC, because not only the production of the service, but also its delivery, payment, and consumption, are completely on-line. Therefore, some products, such as software, music, or news can be delivered by physical distribution (e.g., CD-ROM, DVD, or newspaper) - namely, partial EC mode; otherwise, they can be delivered through the Internet in the form of full digitalization - namely, full EC mode (Turban et al., 2002).

![Diagram of EC dimensions](image)

**Figure 3** The EC dimensions from Choi et al., (1997)

**The level of digitalization in service firms.** Ekeledo and Sivakumar (2004) point out that those internationally-traded services can be divided into two groups, on the basis of their degree of digitization: full-digital services and partial-digital services. In the paper they argue Krishnamurthy’s (2003) statement that ‘a firm that is completely online and has no physical component has a digitizability of one, whereas a firm that has no online
presence has a digitizability of zero’, and they conclude a digitizability of one for full-digital services and a digitizability of less than one, but more than zero, for partial-digital services (Ekeledo and Sivakumar, 2004). They also argue that the classification of internationally-traded services into separable and non-separable is different from the categorization of services into digital services and partial-digital services. They suggest that using service processes provided by Lovelock and Wirtz (2004) to explain both the full-digital and the partial-digital service categories is appropriate, because service processes allow the categories to be mutually exclusive.

We agree that service processes are meaningful to categorize different kinds of services. However, service firms adopting a full or partial EC entry strategy consider doing so by distinguishing service characteristics (i.e., separable and non-separable) from service process (i.e., mental stimulus processing, people processing, information processing, and possession processing), and they seem to separate service characteristics from the nature of service firms and only concentrate on the service processes themselves. In our thinking, another essential service characteristic (i.e., service intangibility) cannot be ignored, which can be a link between service processes and EC entry strategy from the viewpoints of service providers and service recipients. Therefore, the following is going to speculate on the relationship among service intangibility, service process, and the level of digitalization (i.e., the adaptation of full EC mode or partial EC mode).

**Service intangibility and full EC entry strategy.** Services are intangible, and so there is often no physical aspect of the product to evaluate. Instead, the tangible cues in the environment help shape consumer attitudes and behavior (Shostack, 1977; Bitner, 1992). In fact, the more intangible the product is, the stronger the influence is for these cues on consumers’ evaluations, because there is no physical aspect of the product for the consumer to evaluate (Zeithaml, 1988; Bitner, 1992). Therefore, due to the services being embodied in intangibility to some extent, service firms operating their businesses in a foreign country will consider how their services can be received by service recipients in the foreign market. According to the two categories of different levels of digitization (Lovelock and Wirtz, 2004), as shown in Figure 4, if service firms (e.g., advertising, education, entertainment, psychotherapy) think that the service they provide to service recipients belong to the process of ‘mental stimulus processing’, then they are likely to operate this service in the way of full EC mode. We can say that service firms regard their services as mental stimulus processing due to services being embodied in a high intangible element, and these intangible services can be received by customers through
full EC mode in order to direct at people’s minds. Shapiro and Varian (1999) point out that everything which can be digitalized is information, and therefore intangible services (e.g., data bank, music, and movie) that can be delivered by way of data processing to customers are also likely to see the service firm adopt full EC mode into the market.

<table>
<thead>
<tr>
<th>Service Recipients</th>
<th>Full EC Mode</th>
<th>Partial EC Mode</th>
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<tbody>
<tr>
<td>People</td>
<td>Mental stimulus processing (advertising, education, entertainment, psychotherapy)</td>
<td>People processing (lodging, restaurants, passenger transportation)</td>
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<tr>
<td>Possession</td>
<td>Information processing (data processing, insurance, software programming)</td>
<td>Possession processing (retail distribution, freight transportation, refueling)</td>
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Figure 4  The degree of service digitization (modified from Lovelock and Wirtz, 2004; Ekeledo and Sivakumar, 2004)

Proposition 1. Considering the way a service is received by service recipients in the host country, service firms providing high intangible services are likely to favor full EC entry strategies (i.e., mental stimulus processing or information processing).

Service intangibility and partial EC entry strategy. As previous discussion based on a partial digitization category provided by Lovelock and Wirtz (2004), if service firms (e.g., lodging, restaurant, passenger transportation) think that the service they provide to service recipients belong to the process of ‘people processing’, then they are likely to operate this service in partial EC mode. We can say that service firms regard their services as people processing due to services embodying some ‘low’ intangible element inside in which the ‘low’ intangible element may be explained as brick-and-mortar stores or physical facilities that are directed at people’s bodies, and hence need customers to obtain the services through personal visits. As to the possession processing, service firms regard their services (retail distribution, freight transportation, refueling) as being received by customers through a ‘low’ intangible interface, whereby service firms are likely to operate this service by partial EC mode which is directed at physical
Proposition 2. Considering the way that a service is received by service recipients in the host country, service firms providing low intangible services are likely to favor partial EC entry strategies (i.e., people processing or possession processing).

Moderating Role of Host Country Culture

Host country culture is a variable over which the firm has little or no control. In addition to moderating the impact of service characteristics on EC entry strategy, the host country culture also has a direct influence on an EC entry strategy (e.g., Ekelodo and Sivakumar, 2004). Our concern here is how the host country culture moderates the relationship between service characteristics and EC entry strategy in an entry situation. Different host country cultures with the degree of service intangibility lead to differences in EC entry strategy. The differences are the main focus in this study.

The effect of host country culture on EC entry strategy. Culture has a multitude of definitions in the literature. Pizam and Mansfeld (1999) state that culture is an *umbrella* terminology that encompasses a wide range of elements, including shared beliefs, traditions, values, and expectations of a particular group or people. Hence, each culture has its own specific values and norms that guide the members and their behaviors. Cultures also affect the way people perceive a particular problem and the ways in which they deal with it (Min, 2001). The literature in service management fields shows the diversified variable and the metaphor for a specific cultural issue (Jaworski, 1988). Some cross-cultural comparisons found divergent entry mode patterns between firms from different countries of origins (Stopford and Haberich, 1978; Wilson, 1980). In addition, some articles even began to focus on the separate effects of cultures on entry mode selection with theoretical and empirical efforts. Johanson and Vahine (1977), for instance, link psychic distance with entry mode selection. Puxty (1979) clarifies the relationships between cultural distance and entry mode selection. Some articles have studied the entry mode selection with factors concerning organizational fit, such as the match between administration and cultural practices (Jemison and Sitkin, 1986) and cultural conflicts (Sales and Mirvis, 1984).

Ekelodo and Sivakumar (2004) provide three examples as cultural differences in a host
country that influence the entry strategy of service firms. We treat these cultural
differences as host country cultures that influence the relationship between service
characteristics and EC entry strategy. First, local government wants to protect local
cultures from foreign influence, which means service products need to be produced
locally in a certain proportion and cooperation is needed with local partners (e.g. Taiwan
government wants 50% of television program investment to be locally cooperated).
Second, language is another element of a host country culture that might have an impact
on the use of entry strategy to reach a foreign market, which means conducting business
in another country may require a local presence with a local partner. Third, service
products need to suit the local culture sensitively, which means service firms must make
more effort to understand the local cultures as it will be easier to cooperate with local
partners. All the above circumstances imply that differences between foreign and home
country cultures increase the cost of entry, decrease operational benefits, and hamper a
firm’s ability to transfer core competencies to foreign markets (Bartlett and Ghoshal,
1989). The most serious concern might be losing control of self-operations. Thus, cultural
differences in a national culture between a firm’s home market and that of the target host
country will influence the choice of EC entry strategy, especially during a firm’s initial
efforts to expand into foreign markets.

**Proposition 3. The greater the culture differences increase between a firms’ home
country and a host country, the more the propensity increases for service firms
to provide high intangible services toward full EC entry strategies (mental
stimulus processing or information processing), and the more the propensity
decreases for service firms providing low intangible services toward partial EC
entry strategies (people processing or possession processing).**

**Discussions**

The development of the Internet and intranet technology has not only expedited
operational efficiency and eventually the tense competition, but also forces additional
extension of business scope beyond the boundary of a service firm’s traditional business.
Consequently, service firms using EC entry strategies are following the trend in the
current global business environment. Service firms that ignore such facts may commit
themselves to growing threats. Since an EC environment significantly exceeds current
customers’ experiences, we view EC as a new entry strategy whereby both service providers and service recipients can conduct different decision-making processes toward such digital exchanges.

In this study our concern is how service intangibility affects the EC entry strategy of service firms and host country cultures with the degree of service intangibility leading to differences in EC entry strategy. As a growing number of studies reveal that service firms have different entry strategies from manufacturing firms (Brouthers and Brouthers, 2003), different cultures are much more influential in service sectors. The reason why the culture factor is more influential in service sectors than manufacturing sectors is that services need more adaptation and localization, and also they are more highly culture-driven than tangible goods. As service industries go global, service firms need a detailed comparative examination and cross-cultural considerations to clarify the differences across countries/markets (David et al., 1993; Triandis et al., 1986). Therefore, these previous studies inspire us to notice the following three issues and make up our contribution for clarifying the relationship among service intangibility, EC entry strategy, and cultural difference.

First, entry strategies that are different from service and manufacturing firms is on the premise that service firms have distinctive service characteristics (e.g., intangibility or inseparability) - that is, service characteristics cannot be ignored when discussing the entry strategy of service firms. Most, if not all, studies in the literature indicate the distinctions between services and tangible goods, including intangibility, perishability, inseparability, and heterogeneity. These characteristics of services produce managerial problems for service providers (Sasser et al., 1978, Tsaur et al., 2002; Tarn, 2004) and make the decision process of service firms much more complicated than their manufacturing counterparts, including entry strategies. Among these characteristics, intangibility might be the most critical feature of services (Bateson, 1979; Zeithaml et al. 1985; Tarn, 2004). It not only makes it difficult for the service firms to provide substantial contents to clients, but even the consumers feel more uncertainty and risk when making purchasing decisions. Thus, intangibility is recognized as the most cited feature and the most operated element in service studies (Orsini and Karagozoglu, 1988). This study proposes to involve intangibility as a factor that impacts the entry strategy of service firms and to clarify its interaction with cultural factors.

Second, Ekeledo and Sivakumar (2004) focus on EC as a mechanism that influences entry strategies of service firms. However, we treat EC as another entry strategy that
especially is suitable for service firms to enter foreign market due to the service being delivered by different levels of digitalization. To the best of our knowledge, service products using either physical distribution or digital delivery obtain advantages and disadvantages for both service providers and service recipients. On the side of service recipients, for example, some customers like physical distribution due to physical CD-ROMs or music CDs possessing more tangible values than if they were downloaded from the Internet. On the other hand, some customers are likely to use digital delivery due to saving time in receiving service products. On the side of service providers, for example, distributing physical product (e.g., DVDs, CD-ROMs, and newspaper) is costly, but EC can reduce the total cost and gain more profits. Therefore, discussing the EC entry strategy should be from the viewpoints of both sides (service providers and service recipients), which is scant in previous studies.

Third, regarding the issue that the impact of the host country culture on the EC entry strategy of service firms from previous studies mostly discussed how cultural differences influence traditional entry mode choice, we provide a way of thinking to treat EC as another entry strategy and how cultures produce moderating effects. However, in international business or marketing academia, many studies have worked to provide a good norm to the cross-cultural effort, with the most famous maybe being Hofstede (1980) and Hofstede and Bond (1988). These articles successfully and continually measure cultural conditions in a great amount of cultures with five typical factors (i.e., individualism/collectivism, uncertainty avoidance, power distance, masculinity/femininity, and long-term orientation). Therefore, in a future study, we suggest to use Hofstede’s five cultural dimensions to discuss the different moderating effects between service characteristics and EC entry strategy or make a comparison between host country cultural characteristics and national culture factors.

One must also notice the control variables. The literature shows that there is a significant relationship between a firm’s country of origin (e.g., U.S.-based service firms versus those from other countries) and the mode of entry. The industry type is another factor that must be included, because there are industrial preferences for particular entry modes (e.g., Kogut and Singh, 1988). Tihanti et al. (2005) suggest some moderator variables, such as investment country type (developed or developing countries) and sample time frame (international business activities in the 1980s (early) versus the 1990s (late)). Therefore, in a future empirical test, we need to explore some possible control variables to clarify the real relationship between service intangibility and entry strategy.
Many of the studies involve individual service industries, such as banking, equipment leasing, and advertising (e.g., Sabi, 1988; Terspstra and Yu 1988; Agarwal and Ramaswaswami 1992), while few research studies involve broad categories of service industries. Cross-industry studies in the service sector need to be considered in a future empirical examination, because they may suggest ways that marketing concepts and strategies can be extended across service industries (Lovelock and Wirtz, 2004). There are many examples of Taiwanese manufacturing firms that have transformed their business type into the service field using their branding power to serve customers (e.g., Nissan of Taiwan and D-Link Corporation), and in the future it is going to be difficult to distinguish manufacturing firms from service firms. Most manufacturing firms will follow IBM or HPQ, which focus on providing service products instead of manufacturing products. However, when manufacturing firms wish to transform into service firms, what are their advantages and how do they present their competitive power to customers? The answer is “service”, in which service characteristics are the main things that indicate service firms understand what kind of service they can offer to customers and how to use their unique service characteristics to differentiate themselves from others.

**Practical Suggestions and Limitations**

The following suggestions are provided for international service firms when investing in foreign markets:

In contrast to the firms of a host country, cultural characteristics should be taken into account by international service firms, especially the cultural differences between the West and the East. The Confucian dimension should also be a greater concern as more and more service firms try to operate businesses in mainland China. For example, relationships with others in a firm are often slightly influenced by the desire for harmony between colleagues and they greatly affect the overall operational performance of a firm.

On the side of execution, managerial executives from the parent company should have a deeper understanding of the culture of the host country as it would certainly help the foreign subsidiary company to perform better. The more plentiful the experiences and knowledge are of the foreign operations obtained by the parent company, the less risk and uncertainty the company will face.

As to the performance of firms, except for the consideration of cultural variables, it is important that managers understand the strategic implications of foreign market entry
mode choice for different categories of services - namely, the degree of service intangibility for the international service firms themselves. In our survey, the cultural factors, service tangibility, and entry mode choice are related in influencing the performance of firms.

This study suffers from several limitations, such as not discussing non-profit and transportation service industries at this time. In a future empirical test, sample collecting should be expanded to approach a more accurate external validity and generalization.
References


6. Marketing and Supply-Chain (Interactive Sessions)


