# The Relationship between International Market Entry Mode Choice and Performance of Cross-Border E-commerce Enterprises

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**Abstract:** Digital technologies have significantly transformed how international trade works; this created a new trend of companies that are now globally oriented, especially within the cross-border e-commerce (CBEC) industry. Businesses to these business, the proper selection an international market entry option is one of critical decision and has direct bearing on a firms profitability. This paper studies the complicated connections between various kinds of digital market entry methods and the performance of CBEC enterprises. In this study, the digital entry mode is divided into Third-party platform digital mode entry such as Amazon, Tmall Global and Proprietary self-built website entry and Social commerce-based entry. As a firm develops, its success or poor is seen as many things including sales growth, profitability, market share, brand recognition. Using a quantitative method, data was obtained through a survey of 285 CBEC firms. The one that was carried out to see the correlations and do multiple regressions shows difference results for each of these modes Findings showed that using 3rd party platforms was strongly connected with stronger short term financial performance, compared to building your own website which was connected with longer term market performance and brand equity. Social commerce appears as a kind of complement of great importance, improving the customer engagement and brand awareness thus contributing to performance. Further more, it is shown that the firms that adopt hybrid entry strategies, i.e., the ones that utilize more than one mode, outperform the sole strategy entry firms' ones. These findings have some theoretical worth in the digital internationalization literature and offer actual information that can help CBECs' managers when they start in different countries.

**Keywords:** CrossBorder E-commerce; Market Entry Mode; Firm Performance; Digital Platforms; Internationalization; Strategic Management

## 1.Introduction

The 21st century has seen globalization accelerate at an unprecedented pace, not driven just by old economic and political forces, but also by the new force of the internet. Digitalizsation has torn down geographical barriers, reduced transaction costs, and produced a super-connected worldwide marketplace[1]. This landscape has become an increasingly powerful and fast-growing branch in International Business. This branch is called as CBEC. It gives businesses, even SMEs, the power to go around traditional intermediaries and get in touch with consumers all over the world on their own. This paradigm change means there's big possibilities as well as serious problems. One of the most important strategic decisions that an

CBEC firm must make is what international market entry mode to pursue. Traditional multinational enterprises must choose whether to export, license, engage in joint ventures, or run wholly-owned subsidiaries. CBEC firms follow different digital trails. All kinds are different from directly selling on established third-parties, such as Amazon, Alibaba, to create your own e-commerce website or rely on the huge social media networks. They have different implications for how resources are committed, risks are exposed, control is exerted and eventually how a firm's overall performance will be. On account of being practically relevant, not any more research has been carried out with relation to these digital entry modes in order to explore their connection to their performance results in the CBEC context. This paper tries to resolve such a gap by studying this relationship systematically. It attempts to answer the following questions: Modern CBEC firms tend to employ which common international markets entry modes? how does a given particular entry mode, or bunch of entry modes, connect with different facets of performance, the financial kind of performance, the market kind of performance? Based on the empirical data of some CBEC companies, this study attempts to make people understand what kind of trade off exists in strategy, and give some guidelines to managers who want to optimize its global footprint in digital era[2].

## 2.Literature review and theoretical foundation

Theories of International Market Entry The literature on international business has provided some fundamental theories to help us understand what kinds of mode of entry companies should make into an international market. TCE argues that firms enter through an entry mode that minimizes the sum of production and transaction cost, with more asset specific and uncertain activities having higher favor for a hierarchical entry mode wholly owned subsidiary. Uppsala model which comes from the behavioural perspective describes that internationalization is a gradual learning process and commitment where companies gradually move into psychically closer markets before moving out further. Dunning's Eclectic Paradigm (OLI framework) puts forth a unified perspective, indicating that the choice of entry is influenced by factors such as ownership advantages (e.g., technology, brand), location advantages (e.g., market size, low labor cost) and internalization advantages (i.e., benefits of keeping activities within the company). But they offer really strong ways to explain stuff, but when it comes to using them for CBEC's digital world, we have to be careful. In addition, the Internet significantly shrinks the "psychic distance" which is at the heart of the Uppsala paradigm, permits more rapid entry into markets at a far lower capital outlay than traditional FDI, and changes the nature of transactions costs. Digital assets and capabilities such as data analysis and online brand reputation have become new ownership strengths, and a reevaluation of these old models is necessary given the existence of digitally-born worldwide firms[3].

Digital entry modes in cross-border E- commerce Strategic alternatives for CBEC firms are essentially all digital. The first big mode is being entered through third parties. Platforms like Amazon, eBay, Tmall Global, Rakuten, these constitute as large digital marketplaces globally; they provide existing infrastructures, high user visits, payment facilities, and even sometimes logistical solutions (e.g. FBA). For new and resource-starved firms, this mode provides an inexpensive and fast way to enter foreign markets and circumvent the high cost and danger of creating a foothold from scratch. however, this convenience is traded off in exchange for heavy price war, huge platform commission, no control in branding and customer relationships and having to play by the rule of the platform and its algorithm. The second main mode is the self-builtd website. It includes having a fully dedicated, independent e-commerce store, so the company has full control over its own branding, the customer experience, data, and pricing. This mode will help us build up good brand equity over a longer period and create direct consumer loyalty. However, it demands considerable initial as well as continuing investments in technology, digital marketing, traffic sourcing (like SEO and PPC advertising), and creating a sense of trust with overseas shoppers, which is a slow and money-consuming undertaking. A third, now growing, one is social commerce. And it also means selling directly on Social Media, or driving traffic to another Sales Channel like on FB, Instagram, Tiktok, Pinterest. It has built communities and can interact directly with customers, using extremely targeted, data-based advertising. It's excellent at building brand awareness and desire, but it can be difficult and expensive to scale as a primary sale point and it's at the whims of the algorithms and policies of the social media giants. Lots of companies don't pick just one mode to use, but mix in two or even more to handle risk and make use of special benefits in every channel.

 Firm performance in a digital context - Measuring how well a CBEC enterprise performs takes more than just looking at

traditional financial accounting. It also has to take into account other things as well. Though financial performance still is a measure of success, typically gauged by sales growth, profitability, and return on investment (ROI), it paints only half a picture. In the dynamic world of the digital economy, market-facing accomplishments are just as, if not more, important for long-term success. Market performance is thus an important second dimension. this would include the percent of the market in a specific country, how well known a brand is among international buyers, how inclined customers would be to be satisfied and the capability of acquiring and retaining a core of satisfied customers. As for CBEC companies, they cannot rely on strategies that generate instant sales without building a good brand reputation and customer base in today's globalized world. Say, a company can accomplish tremendous sales on a third-party platform by setting extremely low price but it wouldn't create any brand value, hence, vulnerable to others & platform rule. Contrary-wise, a company that invests in making website may face slow first growth of sales yet it will create a good brand name and also can get direct relation with customer which will give a path for more steady and good growth of business in coming days. Hence, any thorough analysis of how entry modes are related to performance must look at both of these things in order to grasp the accurate strategic tradeoffs.

## 3.Methodology

Research Design & Sample The research uses a quantitative methodology, cross-sectional research design to investigate the relationship between the choice of international market entry mode by firms and their performance[4]. The target group comprised of managers and senior executives who headed the cross-border e-commerce firms established in China, a global center for CBEC activity. A Structured Questionnaire was made as the major way to get the information. The survey was handed out electronically by means of diverse outlets such as professional networks inside LinkedIn, mailing lists belonging to e-commerce industry organizations, and discussion boards focused on CBEC entrepreneurs. Use a multi-pronged approach to guarantee a diverse and cross-industry representative sample of different-sized companies. The first batch contained a response number of 350: After removing responses that were incomplete or inconsistent (such as those from companies not doing any international sales), a final sample of 285 valid responses were kept for further analysis, a valid response rate of 81.4%. In terms of the profile of the sampled firms, as shown in Table 1, there is a broad representation of firm age, firm size, and primary product categories. This allows for a generalisable set of results.

*Table 1: Profile of Sampled Firms (N=285).*

| Characteristic | Category | Frequency | Percentage (%) |
|---|---|---|---|
| Firm Age | < 3 years | 75 | 26.3 |
| | 3-5 years | 112 | 39.3 |
| | 6-10 years | 68 | 23.9 |
| | > 10 years | 30 | 10.5 |
| Firm Size (No. of Employees) | < 50 employees | 121 | 42.5 |
| | 50-200 employees | 95 | 33.3 |
| | > 200 employees | 69 | 24.2 |
| Primary Product Category | Electronics & Accessories | 88 | 30.9 |
| | Apparel, Shoes & Bags | 96 | 33.7 |
| | Home Goods & Decor | 55 | 19.3 |
| | Other | 46 | 16.1 |

Measurement of Variables–All constructs were measured with multi-item scales taken from established literature and response categories ranged from 1 (strongly disagree) to 7 (strongly agree) on 7 point Likert scale, unless noted otherwise Independent variable Market entry mode: To measure Market entry mode, I asked respondents to indicate how much weight their firm gives to each of the three main market entry modes for their international sales. We heavily relies on third-party

platform like Amazon, Tmall and etc for our international revenue, Our own website is also one of our main outlet for global sales. We also use social commerce which means we generate huge part of our sales from social media. The dependent variable, firm performance, was assessed according to two aspects. financial performance, 3 adapted items from prior studies that asked managers to assess their firm's performance against its main competitors over the last 3 years in terms of sales growth, profitability, and overall financial return. Market Performance was assessed with three items: Market Share Growth and Brand Recognition in key Foreign Markets and Customer Retention. Finally, add in controls so that we can account for other things which could make us do as well. included Firm Age in Years, Firm Size (ln of the number of employees) and industry (e.g., electronics and apparel dummy coded).

## 4.Results

Descriptive Statistics and Correlation Analysis This study started with an analysis of descriptive statistics and correlation between main variables: The means, standard deviations and correlation coefficients are given in table 2. The correlation matrix gives us an initial view of these linkages. As can be seen all three entry modes: Third-Party platform, self-buid website, social commerce all had positive correlation with both financial performance and market performance. Showing that all these 3 entry modes contributed somewhat towards achieving sucess. especially, the correlation between the Self-built website mode and the Market performance is r=0.58, p<0.1, which has initial support for the hypothesis that it works for building brand and markets. Similarly，Third Party Platform mode is strongly related to Financial Performance（r=0.52，p<0.01). Firm Size, Firm Age and so on, there too are evident correlations with these performance measures, and therefore should be included in subsequent regressions as part of our analysis to determine the effect of each entry mode choice. Significant inter-correlations among the entry mode variables themselves also point to the fact that many firms are indeed using a blend rather than just one channel.

*Table 2: Means, Standard Deviations, and Correlation Matrix of Key Variables.*

| Variable | Mean | S.D. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|---|---|
| 1. Firm Age | - | - | 1 | | | | | | |
| 2. Firm Size | - | - | .28** | 1 | | | | | |
| 3.Platform Mode | 4.88 | 1.51 | .15* | .21** | 1 | | | | |
| 4.Website Mode | 4.12 | 1.65 | .31** | .29** | .41** | 1 | | | |
| 5.Social Mode | 3.95 | 1.72 | .18* | .25** | .45** | .49** | 1 | | |
| 6.Fin.Perf. | 4.65 | 1.33 | .22** | .26** | .52** | .46** | .41** | 1 | |
| 7.Mkt. Perf. | 4.51 | 1.40 | .29** | .33** | .44** | .58** | .51** | .65** | 1 |

Note: * p < 0.05, ** p < 0.01

Hypotheses testing In order to formally test out the hypothesis about how each entry mode is effecting each outcome there were 2 different multiple regressions run. One with financial performance as the dependent variable and one with market performance as the dependent variable results are shown in table 3 and table 4. In both models, the control variables (Firm Age, Firm Size, and Firm's Industry) were entered first, followed by the 3 entry mode variables. Model for both Financial Performance F= 31.54 and p<0.001 and Market Performance F=45.21 and p<0.001 were very significant. R-squared indicates that the variables have explained the variance in performance.

*Table 3: Multiple Regression Results for Financial Performance.*

| Variable | Model 1 (Controls) | Model 2 (Full Model) |
|---|---|---|
| Control Variables | | |
| Firm Age | 0.14* | 0.08 |
| Firm Size | 0.21** | 0.12* |

| Variable | Model 1 (Controls) | Model 2 (Full Model) |
| --- | --- | --- |
| Industry Dummies | Yes | Yes |
| Entry Modes | | |
| Third-Party Platform | | 0.41*** |
| Self-Built Website | | 0.19** |
| Social Commerce | | 0.11* |
| Model Summary | | |
| $R^2$ | 0.11 | 0.38 |
| Adjusted $R^2$ | 0.09 | 0.36 |
| F-statistic | 8.76*** | 31.54*** |

Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standardized Beta coefficients are reported.

As can be seen in table 4, the results for Market performance show something different. Self-Built Website shows up as the sturdiest predictor ($\beta = 0.45$, $p < 0.001$), giving solid support to the idea that it's better for constructing market presence and brand equity. The Social Commerce mode does have a large and relatively strong relationship with Market Performance ($\beta = 0.25$, $p < 0.01$), which shows how well it creates communities and increases brand popularity. Surprisingly, in this model, when facing the Third-Party Platform mode, although the impact on the market performance is still positive and significant ($\beta=0.15, p<0.05$), it is far weaker than the impact on financial performance and compared with the other two modes in this model. It implies that although platforms are good at creating sales, they are not very good at being a mainstay in building long-term markets and brands, which fits the theory.

*Table 4: Multiple Regression Results for Market Performance.*

| Variable | Model 1 (Controls) | Model 2 (Full Model) |
| --- | --- | --- |
| Control Variables | | |
| Firm Age | 0.19** | 0.10* |
| Firm Size | 0.25*** | 0.14** |
| Industry Dummies | Yes | Yes |
| Entry Modes | | |
| Third-Party Platform | | 0.15* |
| Self-Built Website | | 0.45*** |
| Social Commerce | | 0.25** |
| Model Summary | | |
| $R^2$ | 0.16 | 0.49 |
| Adjusted $R^2$ | 0.14 | 0.47 |
| F-statistic | 12.11*** | 45.21*** |

Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standardized Beta coefficients are reported.

# 5.Discussion

InterpretationofFindingsTheempiricoresultsfromthisstudyshedlightonthetexturedifferencesinimpactseachdifferentdigitalentrymodehastheperformanceofcross-bordele-commerceeducationalfirms. The strong positive relationship between the use of third party platform and financial performance is logical and expected. They also give immediate access to a huge, existing pool of customers and a known transactional environment that lets businesses, especially new ones, rapidly produce revenue and create sales without the expensive costs of establishing a brand and getting traffic from the ground up. This mode hands

off the hard work of getting customers and building trust to the platform. But the milder hit on market success shows the underlying trade-off – it provides firms with more sales but means potentially losing out on the chance for a face-to-face connection with the customers and a distinct brand identity. They are usually just one of many vendors in a crowded, price-driven marketplace, making it hard to build the kind of loyalty and recognition that leads to strong market performance over time. On the contrary, the powerful pull in the website built by the self has a huge impact on the market, which illustrates the value of having control. They could run their own digital storefront, produce a special brand experience, speak out about what they stand for, and get hold of useful info about the people who buy from them. This D2C method is an investment in generating an asset - the brand and the buyers - which gives you more market share, greater brand recognition, and more loyal customers over time, although the money coming in might be slow at first. The major part played by social commerce in predicting both performance aspects and especially market performance proves how the field has been transformed from just a means of communication into a fundamental part of the e-commerce environment. It functions as a strong engine for forming a community, doing targeted marketing, and bringing in website traffic which boosts awareness about the brand and gives more fuel to the sales funnels of our own web-based sites and platform storefronts[5].

Managerial and Theoretical implications The findings of this research have many important implications in theory and practice. The paper provides theoretically, updates and contextualizes the classic theories in the digital era. In terms of entry modes literature. It shows that in the CBEC environment, the traditional trade off between risk, Control and Resource Commitment is still there but it takes a new form. The choice is not really between equitable or non-equitable – it's between platform-dependent or brand-owned The results show that a dynamic, capabilities view appears to be more suitable for CBEC internationalisation where digital marketing, data analytics and online community management need to be developed for success. The results refute the assumption of a fixed entry mode strategy. The optimal entry mode can vary over the life cycle of a firm. For managers of CBEC firms, this means direct action. Firstly, there is really no best entry mode; instead it depends on the company's aim and resources. Startup needs some quick proof and some money coming in ? might want to start with a third-party platform. However, if a company has aspirations of a long-term vision to build a global brand, they have to invest in their own proprietary website. Second, it also really points to a hybrid and omnichannel strategy. Managers need to see the modes as additive rather than additive when it comes to entering a new market; they should see them as different parts of a larger market entry portfolio. Like, a company might use a third-party platform to start off by testing out the market and collecting revenue at the same time they were building out their own website and doing social commerce to send traffic to the business from both platforms. It lets a firm ride on a platform's traffic but still build a firm's own brand assets and mitigate the weaknesses of the traffic model and capitalise on the strengths of the asset model.

# 6.Conclusion

This study was about finding the important connection between picking a way to go into the global market and how well a company does in the quickly growing area where people buy things from other countries over the internet. Based on analyzing data from 285 firms, it is clear through these findings that the strategic choice of adopting third-party platform, developing its own website, and social commerce leads to different performance outcomes. Key Findings: There is a significant trade-off – third party platforms give rise to short term financial impact, self built websites are a better vehicle to achieve long term market performance and create brand equity. Social commerce has proven to be a crucial, collaborative, and supportive way of promoting an item in order to boost brand awareness and create a better connection with customers. In the end, this would improve your company's market performance. In the end, it seems a smart, mixed approach that mixes all these ways together just might work best.

This study gives great help to know about the internationalization in digital time. But it is not without flaw. The fact that the data are cross-sectional means that it is a snapshot at a point in time and does not take into account how the firm's entry mode strategy changes over the lifecycle of the firm. Also, self – reported perceptual data on performance has already been used widely in the study of strategic management, but objective financial data could also be used in future studies. The sample is good but comes from just one country, so later research might get some use out of cross-cultural work on finding if these study results apply to CBEC companies starting from different places with different cultures and rules. Future research could

also use a longitudinal approach to follow-up firms over the span of a few years, to see how firms change their entry mode portfolio and why; what the consequences are for their growth. And looking into the way things like digital literacy, supply chain capabilities, and how much competition there is in the target market could be moderating, that'd be an interesting thing to look into.

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