

# Examining the relationship of country-level digital ad spend and cross-border e-commerce buyers under cultural and political globalization

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## Abstract

**Purpose** – Cross-border e-commerce continues to garner much attention within the international marketing literature as the world becomes hyperconnected through digital channels. Although there is an abundance of international marketing research on cross-border e-commerce, there is a lack of information regarding the influences of meta-institutional factors, such as a country's level of globalization, on the relationship between digital advertising and cross-border e-commerce buyers. The objective of this research is to examine the effects of digital media ad spend at the country level on cross-border e-commerce buyers across countries under differing degrees of formal (i.e. political) and informal (i.e. cultural) institutional globalization.

**Design/methodology/approach** – This work examines the influence of digital ad spend at the country level and the degree of the country's formal and informal institutional globalization on the share of cross-border e-commerce buyers. We examine this issue within a 21-country, 8-year, unbalanced panel dataset.

**Findings** – We find that there is substantive heterogeneity in degrees of formal (i.e. political) and informal (i.e. cultural) institutional globalization and cross-border e-commerce across countries. Digital ad spend at the country level is positively associated with cross-border e-commerce buyers within a country. A country's level of political globalization enhances, but cultural globalization was found to dampen the positive association. The results indicate that political and cultural globalization of a country both contribute to increased interconnectedness with the global market, yet the nature of the interconnection differs.

**Originality/value** – The findings are informative to international marketing managers navigating the digital landscape and highlight the importance of institutions in international marketing activities. The study specifically demonstrates the varying effects of the meta-institutional factors of a country's level of political and cultural globalization on the association between digital ad spend and cross-border e-commerce buyers at the country level, across a wide variety of countries, thus also contributing to the effort to improve generalizations from multi-country comparisons in international marketing research.

**Keywords** Digital ad spend, Political globalization, Cultural globalization, Cross-border e-commerce, Institutional economics

**Paper type** Research paper

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## 1. Introduction

Consumers in the global market are more interconnected than ever before due to digitalization and broader internet access around the globe (Katsikeas *et al.*, 2020; Samiee, 2020; Sheth, 2020; Sinkovics and Sinkovics, 2020), stimulating cross-border e-commerce. Cross-border e-commerce (CBEC) refers to cross-border transactions between parties from different countries through various digital platforms including a company's own branded site (i.e. direct-to-consumer) as well as online marketplaces. Scholars note the importance of e-commerce as an entry mode to help firms overcome physical and managerial barriers to internationalization (Jean *et al.*, 2020) "where the 'crossing' of national boundaries takes place in the virtual rather than the real or spatial domain" (Yamin and Sinkovics, 2006, p. 359). The global CBEC market is expected to reach a value of 7.9 trillion U.S. dollars by the year 2030. In 2021, the cross-border online shopping sector was valued at roughly 785 billion U.S. dollars (van Gelder, 2023).

The utilization of digital platforms has played a pivotal role in diminishing costs associated with cross-border transactions and communication, simplifying the process for businesses to engage with customers and suppliers across international borders (Manyika *et al.*, 2016). Supported by growing demand and favorable policies, CBEC is developing vigorously in the digitally globalized environment and has become an important channel for promoting international trade (Kim *et al.*, 2017). Relatedly, digital advertising has overtaken traditional advertising and become the dominant advertising medium. International marketers now have many channels to connect with customers across country markets. The convergence of globalization and digitization means that business leaders will need to reassess their advertising and CBEC sales strategies by understanding the forces transforming the global economy and preparing for this next wave of growth.

Despite research on CBEC (Chen *et al.*, 2022), knowledge of the effects of institutional factors, such as the degree of globalization, on the relationship between digital advertising and CBEC is scarce. Hazarika and Mousavi (2022) provide an analysis of existing studies, showing that research on CBEC is fragmented. A significant portion of the literature is focused on consumer purchase intentions and behaviors in relation to CBEC (Septianto *et al.*, 2023; Valarezo *et al.*, 2018). The literature also addresses drivers and barriers of CBEC, such as infrastructure, regulation, culture, and communication (Eduardsen *et al.*, 2023; Gomez-Herrera *et al.*, 2014; Luo *et al.*, 2005; Morgan-Thomas and Bridgewater, 2004). However, such studies fail to present an understanding of how international marketing activity within a country (e.g. digital advertising within the country market) specifically is associated with CBEC purchases and the nuances of how the convergence of the country-level institutions and the global environment (i.e. degree of a country's political and cultural globalization) could moderate this relationship.

Building on Dickson's (1992) general theory of competitive rationality (GTCR; which provides a theoretical foundation for understanding country-level market competition under the advertising-as-information paradigm; Dickson, 1992; Griffith *et al.*, 2023) and drawing on prior works on institutional economics (North, 1990, 1991), applied in international marketing (e.g. Griffith, 2010; Griffith *et al.*, 2023), the current study explores the influence of institutional globalization (i.e. formal and informal) on the association of digital ad spend and CBEC buyers at the country level and across countries. Through this effort, we make several contributions to international marketing theory and practice. First, building on the literature on advertising (e.g. Bahadir and Bahadir, 2020; Griffith *et al.*, 2023), we work to extend the GTCR to the international context of competition in digital channels. The field's knowledge of CBEC is mostly focused on the consumer or firm level and/or examining CBEC in a limited number of countries (Hazarika and Mousavi, 2022). Our findings demonstrate the importance of applying the GTCR for understanding this issue, demonstrating that digital ad spend at

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the country level is positively associated with CBEC buyers (i.e. the proportion of CBEC buyers to digital buyers at the country level).

Second, our work continues the work on institutional economics' (e.g. North, 1990) integration with the GTCR (cf. Griffith *et al.*, 2023), providing a stronger and more holistic theoretical foundation for understanding the effects of meta-institutional factors (i.e. the degrees of both formal and informal institutional globalization of a country) on the relationship of digital ad spend and CBEC buyers. Our findings demonstrate moderating effects of both formal (i.e. political) and informal (i.e. cultural) institutional globalization, providing new and important theoretically-founded insights. Specifically, a country's level of political (i.e. formal institution) globalization enhances, but cultural (i.e. informal institution) globalization was found to dampen the positive association between country-level digital ad spend and CBEC buyers. While political globalization results in greater access to foreign markets by creating a more standardized regulatory and economic framework facilitating market operations across borders, cultural globalization affects the demand side of the global market by influencing consumer preferences and behaviors leading to a convergence of markets. As such this work demonstrates nuances of the different institutional dimensions of globalization, and the value of the use of GTCR and institutional economics, thereby answering the calls within the field of international marketing to holistically consider the larger business environment (e.g. Griffith *et al.*, 2021; Magnusson *et al.*, 2008).

Lastly, this work is informative to international marketers utilizing CBEC to connect with customers, helping them navigate the global landscape. The study provides an illustrative analysis of the relationship between digital media ad spend and CBEC buyers at the country level as well as demonstrates the importance of deconstructing the effects of globalization. Our findings suggest that market strategies need to differ for firms engaging in CBEC. The return on digital advertising (i.e. increased number of CBEC buyers) within a market may differ, depending on the country's rate of formal (i.e. political) and informal (i.e. cultural) institutional globalization.

## 2. Background literature and conceptual model

### 2.1 CBEC: the digitalization of economic globalization

Globalization is a transformative process of creating networks of connections among actors at multicontinental distances, mediated through a variety of flows including people, information and ideas, capital, and goods (Clark, 2000, p. 86). It is a process that erodes national boundaries, integrates national economies, cultures, technologies and governance, and produces complex relations of mutual interdependence (Norris, 2000, p. 155). Globalization is a multifaceted concept that encompasses much more than openness to trade and capital flows. It also involves citizens of different countries communicating with each other and exchanging ideas and information, or governments working together to tackle political problems of global reach (Dreher *et al.*, 2008; Gygli *et al.*, 2019). The level of each country's participation in this process may differ where a country's level of globalization across the different dimensions (i.e. the degree of integration of a country with other countries) can be measured separately (Gygli *et al.*, 2019).

While international trade and finance growth, a hallmark of the 20th century, has slowed since 2008, digital flows have surged, facilitating greater participation in the global economy. Digital platforms, key to this new era of globalization, are transforming the dynamics of cross-border business, reducing the costs associated with international interactions and transactions (Diaz *et al.*, 2022). These platforms establish markets and user communities on a global scale, offering businesses access to potential customers worldwide (Manyika *et al.*, 2016).

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Over the past two decades, the largest corporations built their own digital platforms to manage suppliers, connect to customers, and enable internal communication and data sharing for employees around the world (Wang, 2020). But a diverse set of public Internet platforms have also emerged to connect anyone, anywhere (Samiee, 2020; Sheth, 2020). These include e-commerce sites (such as a firm's own branded site or marketplaces such as Alibaba, Amazon, eBay, Rakuten and Shopify), operating systems (such as Google's Android and Apple's iOS), social networks (such as Facebook, Instagram, X, WeChat and QQ), and digital media platforms (such as YouTube, Uvideos, Spotify, Hulu, and Netflix). Major digital platforms are creating global markets and user communities at unprecedented scale.

E-commerce platforms serve as digital venues where businesses and consumers engage in the buying and selling of goods and services. These platforms are broadly categorized into two main types: direct-to-consumer (DTC) branded sites and online marketplaces. DTC branded sites are operated by manufacturers or brand owners looking to sell their products directly to consumers, bypassing traditional retail intermediaries. This model allows for greater control over brand presentation, customer experience, and data collection. Examples include brands such as Nike, Apple, and Dyson. On the other hand, online marketplaces are third-party platforms that aggregate multiple sellers in one place, offering customers a wide range of products from different brands and vendors. Examples include Amazon, eBay, and Alibaba. These marketplaces (including retailer sites such as Asos and John Lewis) have become increasingly dominant in the e-commerce landscape, accounting for approximately 48% of online purchases, compared to the 14% contribution made by direct-to-consumer platforms (Chevalier, 2024). The prominence of online marketplaces can be attributed to their convenience, broad product selection, and the integrated customer services they offer, making them a preferred choice for both consumers and sellers aiming to reach a wider audience. While overall goods trade growth has flattened, e-commerce enabled trade is increasing. Further, as reflected in the United Nations Conference on Trade and Development's (UNCTAD), CBEC has become a major pillar of international trade due to rapid growth (UNCTAD, 2016). Most notably, e-commerce marketplaces significantly influence international trade and continue to grow (Hånell *et al.*, 2020). A recent study from Juniper Research (Purnell, 2023) has found that 33% of e-commerce spend will be cross-border by 2028 globally as growth shifts to developing markets. CBEC transaction values are predicted to grow by 107% globally over the next five years whereas domestic e-commerce transaction values are predicted to grow by 48% over the same period. More countries now participate in global flows but their level of participation varies widely (Krishnamurthy and Singh, 2005). For instance, over 80% of Israeli digital consumers purchase online from global sources, while only 15% do so in Turkey.

Unsurprisingly, given its significance in the global market, many researchers have explored CBEC from various angles. Despite substantial research on CBEC, analysis shows it is fragmented (Hazarika and Mousavi, 2022). Most studies focus on China and the EU, examining firm-level or consumer (buyer)-level factors affecting single purchase decisions (Septianto *et al.*, 2023; Valarezo *et al.*, 2018). Few studies examine CBEC at the country-level, accounting for country factors. For example, Cho and Lee (2017) studied logistics (e.g. air transport network) and regulatory determinants (e.g. efficiency of customs administration) of CBEC that lead to overseas direct purchases across 61 countries. They found that globalization is positively associated with the degree of CBEC, yet, they failed to empirically support the moderating effects of globalization. He and Wang (2019) examined ASEAN countries to examine the determinants of CBEC trade (including exports and imports). They found that country-level variables, such as GDP and real exchange rate affect CBEC trade. Eduardsen *et al.* (2023) examined the impact of obstacles (i.e. small size, lack of experience, etc.) faced by firms when exporting via CBEC with 25 European countries. They found that

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both the home country's level of digital infrastructure and the foreign market's Internet penetration rate exhibited moderating effects.

Researchers have long emphasized the perspective that marketing science is built on the generalizability of findings across studies, cultures, and national boundaries (Burgess and Steenkamp, 2006). Thus, the current study aims to present a deeper understanding of how international business activity within a country (e.g. digital advertising within the country market) is associated with the proportion of CBEC buyers within the country and the nuances of how the larger meta-institutional environment (i.e. a country's degree of formal and informal institutional globalization) could moderate this relationship.

### *2.2 General theory of competitive rationality, digital ad spend and CBEC buyers*

The fundamental concept underpinning free-market economies is competition, where sellers compete for the attention and demand of buyers (Dickson, 1992). According to the GTCR, sellers are inclined towards achieving profits that are adjusted for risk. Consequently, they redirect their efforts towards meeting the needs of more appealing buyer segments. The driving force for sellers is the pursuit of profits or an expansion of market share, leading them to explore innovative ways of serving customers effectively and efficiently (Dickson, 1992). Within the framework of the GTCR, advertising is argued to be an information source that facilitates sales through an efficient market mechanism (Griffith *et al.*, 2023). Advertising contributes to stimulating consumer interest and converting information-seeking consumers into buyers (Hu *et al.*, 2014) and the long-term success of sellers in a competitive environment (Bahadir and Bahadir, 2020). With the digitization of globalization, both buyers and sellers are now able to easily operate and receive information on a global scale via digital platforms (Manyika, 2016). Digital platforms create more efficient and transparent global markets where distant buyers and sellers find each other with a few clicks.

Stigler (1961) summarizes the informational function of advertising by emphasizing that "information is a valuable resource" (p. 213). He further highlights advertising as the "the obvious modern method of identifying buyers and sellers" that "reduces drastically the cost of search" (p. 216). A rise in advertising expenditure within a country signals a substantial investment in informational resources, reflecting the volume of information presented to consumers in that country. In the global market, access to information stands as a pivotal advantage, where buyers actively seek information and sellers strive to present it (Wilcox, 1999). Digital platforms provide a built-in base of potential customers and effective ways to market to them directly (Semenov and Randrianasolo, 2022). For example, Lee *et al.* (2023) found, in a multi-country examination, that changes in ad spend in media channels were positively associated with changes in related retail format sales at the country level. Extending this informational argument.

Heightened levels of country-level digital advertising expenditure catalyze a more informed and efficient marketplace. This enriched information ecosystem inherently favors foreign sellers who can utilize digital advertising to their advantage, overcoming the lack of physical presence in the country market (Manyika *et al.*, 2016). The dependency on digital advertising is comparatively higher for foreign sellers aiming to capture the attention of customers overseas. Unlike domestic sellers, who can rely on both physical presence and local advertising to attract customers, foreign sellers often lack the advantage of geographical proximity and established market presence. Consequently, digital ads serve as a crucial tool for foreign businesses to overcome these barriers, allowing them to target specific demographics, adapt to cultural nuances, and build brand awareness in a cost-effective manner. The reliance on digital advertising by foreign sellers is not just strategic but necessary, as it provides them with an accessible platform to reach a wider audience without the substantial investment required for establishing physical outlets or distribution networks

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in new markets. Domestic consumers, now armed with information and influenced by global trends, are increasingly inclined to patronize foreign sellers, utilizing CBEC as a conduit for these transactions (Ozturk *et al.*, 2021). The efficiency of digital advertising, in reducing search costs and showcasing the allure of foreign products, likely tilts consumer behavior in favor of international purchases, even in the presence of domestic alternatives. Thus, it is expected that the high level of information shown to the country market through digital media channels (via an increase in digital ad spend) creates an efficient market where information flows make consumers within the market more aware of sellers outside national borders will increase the number of CBEC buyers within a country. More formally:

*H1.* Country-level digital ad spend is positively associated with cross-border e-commerce buyers.

*2.2.1 Globalization of formal and informal institutions.* Institutional economics is a field of study that defines nation states by their humanly devised institutions that constrain and structure human interaction (North, 1990). It delves into how these institutions influence a country's economic performance, emphasizing their role in mitigating risk by establishing a stable framework for exchange transactions. These structures are categorized within institutional economics as either formal (comprising rules, laws, and constitutions) or informal (encompassing norms of behavior, conventions, and self-imposed codes of conduct) institutions. The integration of institutional economics into marketing (e.g. Griffith, 2010), and the broader theory of competitive rationality (i.e. Griffith *et al.*, 2023; Griffith and Yalcinkaya, 2023) is apt, given that both theories share a fundamental assumption: firms within a country operate as profit maximizers and are inclined to seize opportunities presented by the prevailing environment (Davis and North, 1970; Dickson, 1992; North, 1990).

International marketing functions within the institutional environments in which firms operate, and marketing operations are affected by the level of institutional globalization a firm may encounter (Griffith, 2010). Institutional economics posits that not all countries are alike and that differences in institutional conditions can impact both firm behavior and performance (North, 1990). Consistent with this perspective, Griffith and Yalcinkaya (2023) employ institutional economics as the environmental element of the GTCR to understand how state actions related to the COVID-19 pandemic influenced international activities. Similarly, Hazarika and Mousavi (2022) found that individual country's policies play a considerable role in CBEC through the policies it develops and the infrastructure it puts in place.

However, North's framework does not provide reference to the consequences of institutional globalization of countries (Faundez, 2016). The deepening of economic, social, and political interactions beyond a country's borders has been acknowledged as a significant element within a nation's institutional framework (Akhter, 2004; Griffith, 2010). Thus, we formally incorporate the institutional globalization literature to present an understanding of how international marketing activity within a country (e.g. digital advertising within the country market) relates to CBEC that transcends country borders (i.e. proportion of CBEC buyers) under the nuances of variations in levels of a country's formal (i.e. political) and informal (i.e. cultural) institutional globalization.

### *2.3 Formal (i.e. political) and informal (i.e. cultural) institutional globalization*

Formal institutions are established rules, laws, regulations, and organizational structures that guide and govern economic and social interactions within a society. They are typically codified, and enforceable, shaping individuals' behavior and transactions, and influence economic outcomes by providing a stable and predictable environment for economic activities (North, 1990). Informal institutions, on the other hand, refer to the unwritten rules, norms, customs, and shared beliefs that shape human behavior within a society. Unlike

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formal institutions, informal institutions are implicit and often arise organically from cultural, social, and historical contexts (North, 1990). These informal institutional rules play a crucial role in influencing the behavior of individuals and organizations, guiding interactions, and establishing expectations, and contributing to the social order, and significantly influence economic transactions, decision-making processes, and the overall functioning of a society.

Political (formal institutional) globalization refers to the increasing interconnectedness and interdependence of political systems across national boundaries. The influence of global political processes of formal institutions can have profound implications for economic development and performance, given that the political institution sets forth the rules of commerce. The spread of formal institutions across borders is often influenced by economic considerations, where convergence of ideas becomes formalized in international agreements, treaties, and collaborations. The harmonization of formal institutions can be seen as a response to the need for consistent rules in the interconnected global economy. The higher a country's level of political globalization, through participation in multilateral treaties and memberships in international organizations, the higher the "openness" of the nation-state, bringing it closer to other nation-states, and allowing for increased trade among countries. A high degree of political globalization allows the country greater access to foreign markets. Thus, political globalization of a country is expected to enhance the positive association between digital ad spend and CBEC buyers due to the increased ability of consumers to source these products directly from foreign sellers. More formally:

*H2.* The positive association between country-level digital ad spend and cross-border e-commerce buyers are enhanced by the country's level of political globalization.

Cultural (informal institutional) globalization refers to the interconnectedness and exchange of cultural elements, ideas, values, and practices across national and regional boundaries. It involves the diffusion of cultural products, media, and influences, leading to increased cultural interconnectedness on a global scale. Theory suggests that shared beliefs, norms, and cultural practices can transcend national borders and influence global cultural dynamics. According to Keohane and Nye (2000, p. 4), cultural globalization is the most pervasive form of globalism. The spread of cultural norms through informal channels, including social media and grassroots movements, contributes to the homogenization or hybridization of cultures on a global scale.

As a country's level of cultural globalization increases, the diffusion of cultural products, media, and influences leads to an increase in the market size of potential "cosmopolitan" consumers (Makrides *et al.*, 2022) within the country market. Through cultural globalization, the needs and wants of the country market become more homogenized with those of other countries (Ryans, 1969). Greater levels of cultural globalization lead to converging needs and wants with other countries, and this, in turn, enhanced similarity between foreign and domestic offers (Griffith, 2010; Ozturk *et al.*, 2021). This implies that domestic e-commerce can capably fulfill the needs that once necessitated cross-border transactions. The demand for foreign brands is sufficiently met through domestic e-commerce purchases within the country market, as either the product is offered within the market, or a consumer finds a suitable substitute due to local competition, thus diminishing the reliance on foreign brands and sellers. As such, it is expected that cultural globalization attenuates the positive association between digital ad spend and CBEC buyers due to the decrease in the need to source these products from a foreign seller via CBEC as domestic markets become efficient in meeting cosmopolitan consumer demands with locally available products or suitable substitutes. More formally:

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H3. The positive association between country-level digital ad spend and cross-border e-commerce buyers are attenuated by the country's level of cultural globalization.

### 3. Data and method

#### 3.1 Data

We compiled data from a range of secondary sources including eMarketer, the KOF Swiss Economic Institute, and the World Bank. Our uneven panel data covers 21 nations over the 8-year period from 2013 to 2020. The specific countries represented in the dataset are Argentina, Australia, Brazil, Canada, China, France, Germany, Indonesia, Italy, Japan, Malaysia, Mexico, the Philippines, Russia, Singapore, South Korea, Spain, Thailand, the United Kingdom, the United States, and Vietnam.

**Dependent Variable: Cross-border e-commerce (CBEC) Buyers.** Our analysis centered on CBEC engagement (i.e. measured by the share of CBEC buyers) as the key outcome of interest. We began by collecting data on CBEC buyers and digital buyers' information on country level from eMarketer. In each country, estimates were derived through the analysis of survey and report data from various research firms and regulatory agencies, taking into account historical trends, as well as country-specific demographic and socioeconomic factors. The calculation for CBEC buyers involved determining the percentage of digital buyers who purchased online from a seller in a foreign country either directly or through an intermediary (i.e. marketplace) relative to the total number of digital buyers per country.

Examination of the CBEC participation rates (see [Table 1](#); [Web Appendix](#)) reveals diversity across countries included in our sample. Interestingly, nearly two-thirds of online purchasers in Russia, specifically on average 63.02%, have bought products from international e-retailers. This rate far surpasses other nations, indicating Russian digital consumers have broadly embraced overseas shopping options. Conversely, Argentina demonstrates the lowest level of cross-border platform usage at just under 10% of total online buyers. Moreover, adoption of foreign e-commerce declined precipitously in Argentina year-over-year, dropping from 25.3% in 2019. Overall, these two cases exemplify the range and fluctuations for CBEC buyers captured by our data (see [Figure 1](#); [Web Appendix](#)).

**Independent Variables: Digital Ad Spend.** We collected digital ad spend information from eMarketer, a widely utilized data source within the advertising industry. eMarketer is frequently cited in the *Journal of Advertising Research* and international business literature (e.g. [Griffith et al., 2023](#); [Kozlenkova et al., 2021](#); [Kumar et al., 2021](#)). This data encompasses advertising displayed on internet-connected devices and is based on estimations derived from macroeconomic factors, historical information from the advertising industry, and insights from research firms as well as consumer internet usage trends. The total ad spend per country was then divided by the total internet users (sourced from eMarketer). We used this as the digital ad spend in our models. As shown in [Table 1](#) of the [Web Appendix](#), there is variation in this per user metric. The United States far surpasses all other sampled nations, averaging \$376 spent per American internet user. At the lower end, advertising investments measured just \$4.47 and \$4.66 per customer in Vietnam and Indonesia, respectively (see [Figure 2](#); [Web Appendix](#)). This considerable range reflects corporations and brands tailoring online ad strategies and channel mixes to the unique technological, regulatory, competitive, and consumer landscapes across our set of countries.

**Institutional factors:** Institutional integration of countries into global systems constitutes another domain we assessed. Data for the operationalization of political and cultural globalization of countries were drawn from the KOF Globalisation Index. As shown in



Table 1 of the [Web Appendix](#), political globalization scores demonstrate considerable stability across countries, with some variations. Italy, France, and Germany recorded the highest political globalization scores, each averaging over 99. In contrast, Vietnam had a lower average score of 72.03, indicating more limited formal political integration. Cultural integration exhibited greater fluctuation across and within countries over the measurement period, as summarized in [Table 1](#) of the [Web Appendix](#). Singapore led with an average score of 97.44, reflecting prevalent international travel and media flows. Brazil, on the other hand, ranked at the bottom with an average score of 47.93, as global cultural dissemination was more limited in this country.

Control variables: We controlled for unemployment rate (i.e. reflection the economic climate and consumer purchasing power and confidence within the country market) and mobile cellular subscription rate (i.e. a critical indicator of a country's digital access and infrastructure) for each country, collecting the data from the World Bank. The selection of control variables is informed by their proven influence on CBEC activities, as supported by prior literature ([Cho and Lee, 2017](#); [He and Wang, 2019](#)).

### 3.2 Empirical approach and model estimation

To ensure the data fit the assumptions of panel data analysis, we first screened for unit roots. The statistically significant unit root tests ( $\chi^2 = 69.65, p < 0.001$ ) indicated that nonstationary was not an issue for CBEC buyers. Next, we tested normality, and multicollinearity. For normality, we checked the skewness and kurtosis values for CBEC buyers which indicated that this variable met the criteria of normality (skewness =  $-0.05$ , kurtosis =  $1.81$ ). Further, we tested multicollinearity by examining variance inflation factors (VIFs). All VIF values were below 1.92 (mean VIFs were 1.61 for all models), suggesting that multicollinearity was not an issue in our models.

We subsequently explained the source of endogeneity in our multicountry dataset. While country-level unobserved heterogeneity could predict CBEC buyers and digital ad spending in our model, time-varying unobserved factors such as technological advancements and economic factors at the country-level could also influence the association between country-level digital ad spend and CBEC buyers. To address this, we used an instrumental variable approach with the common instrumental variable method, which utilizes the lagged value of the variables. We employed the Durbin-Wu-Hausman test ([Davidson and MacKinnon, 1993](#)) to examine the endogeneity of digital ad spend. Our results indicate that we are unable to reject the null hypotheses, suggesting that endogeneity is not an issue in the association between digital ad spend and CBEC buyers ( $\chi^2 = 2.45, p = 0.118$ ).

To determine the appropriateness of the empirical model, we conducted a Breusch-Pagan Lagrange Multiplier test. The results indicated that there is cross-sectional dependence, and an error-component model is appropriate ( $\chi^2 = 169.52, p < 0.001$ , suggesting that a panel model instead of the pooled OLS models should be selected. Furthermore, we employed the Hausman test to determine whether we should model the unobserved effects as fixed or random effects. The Hausman test yielded statistically significant results for the model ( $\chi^2 = 287.43, p = 0.000$ ), indicating that the fixed effects model should be preferred. For testing purposes, we specify the fixed effect model as follows:

$$\begin{aligned} \text{CBEC}_{it} = & \alpha + \beta_1 * \text{Digital Ad Spend}_{it} + \beta_2 * \text{Political Globalization}_{it} \\ & + \beta_3 * \text{Cultural Globalization}_{it} + \beta_4 * \text{Unemployment Rate}_{it} \\ & + \beta_5 * \text{Mobile Cellular Subscribers}_{it} + \varepsilon_{it} \end{aligned}$$

in which  $CBEC_{i(t)}$  refers to the proportion of CBEC buyers relative to digital buyers in the country (i) in the year (t). Similarly,  $Digital\ Ad\ Spend_{it}$  is the amount of digital ad spend for the internet users in the country (i) in year (t). Political Globalization<sub>it</sub> and Cultural Globalization<sub>it</sub> are KOF's Globalization Index scores in the country (i) and year (t). We controlled for unemployment rate and mobile cellular subscribers for each country (i) in the year (t), and  $\varepsilon_{it}$  is the error term. Table 1 summarizes the descriptive statistics of the variables.

### 3.3 Results

Table 2 presents the results of the analyses. Model 1 tests the effects of control variables in the models. The results indicate that unemployment rate has a non-significant effect on CBEC buyers ( $\beta = -0.098, p = 0.825$ ). Mobile Cellular Subscription has a positive effect on CBEC buyers ( $\beta = 0.218, p = 0.000$ ). Model 2 tests the direct effect of digital ad spend on CBEC buyers. The results confirm that country-level digital ad spend has a positive effect on CBEC buyers ( $\beta = 0.029, p = 0.008$ ). Therefore, H1 is supported. Model 3 tests the moderating effects of the country's level of political and cultural globalization on the association between country-level digital ad spend and CBEC buyers. The results indicate that the level of the country's political globalization positively moderates the association of digital ad spend and CBEC buyers ( $\beta = 0.012, p = 0.001$ ) at the country level, supporting H2. Also, supporting H3, the results show that the level of the country's cultural globalization negatively moderates the association between the digital ad spend and CBEC buyers ( $\beta = -0.006, p = 0.018$ ) at the country level.

## 4. Discussion

Our study makes several notable contributions to the international marketing literature. First, extending international advertising research (e.g. Bahadir and Bahadir, 2020; Griffith et al., 2023), and work on ad spending to retail sales (e.g. Lee et al., 2023), we demonstrate that higher levels of digital ad spend at the country level are positively related to greater participation in CBEC by the consumers within the country. This not only aligns with but also expands upon the GTCR, now applied to the international context of competition in digital channels. The informational role of advertising can be argued to be more relevant to the global market environment. Expanding this perspective, the results demonstrate that country-level investments in digital media prompts efficient information flow within the country market and stimulates market interest in purchasing products from overseas sellers. The digital information landscape greatly benefits foreign sellers who leverage digital marketing to bridge the gap caused by their absence in local markets. With lowered search costs, the highlighting of foreign products' appeal often shifts consumer preferences towards international options, despite available local alternatives. As advertising provides consumers

Variables	Mean	S.D.	1	2	3	4	5	6
1 CBEC	35.34	16.35	1					
2 Digital Ad Spend	94.91	108.67	0.229*	1				
3 Political Globalization	91.21	7.54	0.368*	0.215*	1			
4 Cultural Globalization	79.30	17.07	0.300*	0.590*	0.294*	1		
5 Unemployment Rate	6.01	3.97	0.487*	-0.087	0.492*	0.052	1	
6 Mobile Cellular Subscribers	123.02	21.83	-0.156	-0.318*	-0.309*	-0.049	-0.295*	1

**Table 1.**  
Descriptive statistics

**Note(s):** CBEC is Cross Border E-Commerce; \* denotes  $p < 0.05$   
**Source(s):** Created by author

D.V. CBEC	Model 1			Model 2			Model 3					
	B	S.E.	z	P	B	S.E.	z	P	B	S.E.	z	P
Digital Ad Spend					0.029	0.011	2.720	0.008	-0.569	0.374	-1.520	0.132
Political Globalization					5.188	1.179	4.400	0.000	3.847	1.413	2.720	0.008
Cultural Globalization					1.194	0.310	3.850	0.000	1.245	0.295	4.220	0.000
Digital Ad Spend*Political Globalization									0.012	0.003	3.530	0.001
Digital Ad Spend*Cultural Globalization									-0.006	0.002	-2.410	0.018
Unemployment Rate	-0.098	0.440	-0.220	0.825	-0.254	0.352	-0.720	0.471	-0.104	0.335	-0.310	0.756
Mobile Cellular Subscribers	0.218	0.058	3.740	0.000	0.119	0.047	2.530	0.013	0.108	0.048	2.230	0.028
Intercept	9.169	8.340	1.100	0.274	-548.556	103.600	-5.290	0.000	-430.399	124.052	-3.470	0.001
<i>R-Squared</i>					12.08%	49.55%			57.28%			
<i>Number of Observations</i>					117	117			117			

**Note(s):** CBEC is Cross Border E-Commerce

**Source(s):** Created by author

**Table 2.**  
Results

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with knowledge about product alternatives, both within and across national borders, it facilitates international e-commerce transactions. Our work illustrates that this logic operates at the macro level across countries adding to the field's knowledge of CBEC currently focused at the consumer or firm-level.

Second, our work contributes to the literature on the general theory of competitive rationality integrating institutional economics (e.g. Griffith *et al.*, 2023; Griffith and Yalcinkaya, 2023), providing a more holistic theoretical foundation for understanding the effects of the degrees of both formal and informal institutional globalization on the relationship of digital advertising spending and CBEC buyers. Viswanathan and Dickson (2007) highlight the importance of the external business environment and the constraints it may have on business decisions when considering international marketing strategy. Our findings demonstrate significant moderating effects of both formal and informal globalization, providing new and important theoretically founded insights. Analyzing the dimensions of globalization revealed nuances regarding how formal and informal institutions affect CBEC. Market convergence due to political and cultural globalization, though interconnected, influences global markets in distinct ways. We found political globalization enhances the positive association between digital ad spend and engagement in CBEC. This reinforces the conceptual argument that formal institutional integration enables trade across borders. In contrast, cultural globalization dampens the relationship between advertising and overseas online shopping. As informal institutions diffuse globally, domestic markets likely satisfy consumer demands more fully. While a country's political globalization results in greater access to foreign markets by creating a standardized regulatory and economic framework facilitating market operations across borders, cultural globalization, on the other hand, affects the demand side of the global market by influencing consumer preferences and behaviors. Our multi-dimensional approach (cf., Gygli *et al.*, 2019) to examining globalization advances international marketing theory by moving beyond treating it as a singular construct.

For international marketing managers, these findings underline the value of digital advertising to connect with consumers open to CBEC. Our study demonstrates that there is room for growth in CBEC as demonstrated by the heterogeneity in CBEC rates across country markets. However, marketers must calibrate ad spend and CBEC strategies based on a country's positioning on political and cultural globalization. Our results indicate the necessity for distinct market and consumer engagement strategies for companies focused on CBEC buyers. In politically integrated markets, advertising can effectively spur cross-border purchases. But in culturally globalized countries, the focus should be on domestic e-commerce.

As with all research, this study has limitations that offer avenues for future research. Our analysis centered on a sample of 21 major economies (an unbalanced panel, due to data availability). Extending this work to incorporate smaller and emerging markets could reveal new insights. Additionally, directly assessing consumer attitudes and integrating individual-level data could provide a greater understanding of how ad spending and globalization shape cross-border shopping intentions and behaviors. Testing effects across product categories may also elucidate differences. Furthermore, follow-up studies can build on our foundations to paint a richer picture about CBEC.

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### **Web appendix**

The supplementary material for this article can be found online.

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