Psychic Distance and Country Image in Exporter–Importer Relationships

Aurélia Durand, Ekaterina Turkina, and Matthew Robson

ABSTRACT

Conflicting evidence on the issue of psychic distance (PD) in international business relationships has suggested the existence of misunderstood boundary conditions to its effect. This article argues that country image (CI) is a contingent factor to the effect of PD. Expectancy–value theory provides the theoretical foundations, and structural equation modeling analyses for a sample of 358 exporter–importer relationships in the global wine industry provide empirical support for this argument. Product-related CI mitigates the negative impact of PD on the relational exchange orientation (REO) between firms. Specifically, a high level of PD dampens REO when product-related CI is poor, whereas a strong product-related CI helps firms facing such PD conditions to build REO. People-related CI has an indirect effect on REO through product-related CI. This study helps explain the "paradox of distance" and offers a fresh perspective on how to handle the issue of PD when relevant.

Keywords: psychic distance, country image, relational exchange, exporter–importer relationships

The impact of psychic distance (PD) on market selection and entry, marketing adaptation strategies, and interfirm relationship success is a long-standing area of interest among international marketing scholars (Magnusson and Boyle 2009). In line with the dominant position in the literature—that PD is an individual-level, subjective influence on marketers (Håkanson and Ambos 2010)—we define PD as managers' perceived dissimilarity between home- and foreign-country environments (Evans, Mavondo, and Bridson 2008; Håkanson and Ambos 2010; Katsikeas, Skarmeas, and Bello 2009; Sousa and Lages 2011). A key reason why PD continues to capture scholars' attention is because empirical studies on the topic have produced contradictory evidence. In the area of exporter–importer relationships—the focus of our study—research has mainly highlighted detrimental effects of PD (Leonidou et al. 2014; Skarmeas et al. 2008). Yet closer inspection of the literature reveals mixed evidence. For instance, studies have invalidated negative effects of PD on relationalism (Bello, Chelariu, and Zhang 2003) and trust (Leonidou, Barnes, and Talias 2006).

Scholars have attributed contradictory evidence on the outcomes of PD to O'Grady and Lane's (1996) "paradox of PD." This postulates that although classic internationalization theory would support entering low-PD markets as a means of facilitating performance (Johanson and Vahlne 1977), firms doing so experience shocks caused by unanticipated differences. In our view, the reason for the paradox and the mixed empirical evidence is the existence of misunderstood contingencies under which the impact of PD varies. Indeed, despite Magnusson and Boyle's (2009) call for empirical studies to develop knowledge about boundary conditions (i.e., moderators) to the effect of PD, this remains a gap in the international marketing literature. The gap deserves acute attention because it prevents researchers from making accurate recommendations to guide

Aurélia Durand is Associate Professor, Department of International Business, HEC Montréal (e-mail: aurelia.durand@hec.ca). **Ekaterina Turkina** is Associate Professor, Department of International Business, HEC Montréal (e-mail: ekaterina.turkina@hec.ca). **Matthew Robson** is Professor, Marketing Division, Leeds University Business School (e-mail: mjro@lubs.leeds.ac.uk). Correspondence concerning this article should be addressed to the first author. This work was supported by a grant from the Fond de Recherche du Québec—Société et Culture. Bulent Menguc served as guest editor for this article.

Journal of International Marketing
©2016, American Marketing Association
Vol. 24, No. 3, 2016, pp. 31–57
DOI: 10.1509/jim.15.0056
ISSN 1069-031X (print) 1547-7215 (electronic)

managers' efforts to address PD in their firms' relationships. Given the importance of relationships as drivers of competitiveness, innovation, customer satisfaction, and performance (Ulaga and Eggert 2006; Walter, Ritter, and Gemünden 2001) in international settings (Bello, Chelariu, and Zhang 2003; Zhang, Cavusgil, and Roath 2003), it is necessary to identify contingent factors that help reduce the effect of PD in cross-border business relationships, when appropriate.

In targeting the aforementioned knowledge gap, we focus on the theoretically meaningful contingent factor, country image (CI). A favorable CI figures among the information cues that make products and foreign partners more attractive to industrial buyers and sellers (Ahmed and D'Astous 1995; Bradley 2001; Knight, Holdsworth, and Mather 2007; Vinhas da Silva, Davies, and Naudé 2001). As such, CI is a factor that increases valence (worth) in the relationship and can motivate managers to overcome perceived differences between country environments when doing business with foreign partners. The expectancy–value approach from social psychology (Atkinson 1957; Vroom 1964) provides the theoretical foundation for this argument. The objective of the current research is to test this argument by considering CI as a moderator of the effect of PD in relational exchanges. Thus, the research question driving this article is: Does CI moderate the effect of PD on relational exchange orientation (REO) in international markets?

We test our assumptions using a sample of 358 relationships of wine exporters and importers. The findings provide support for our theoretical arguments and an affirmative answer to our research question. Although we acknowledge the existence of a negative direct effect of PD on REO, we find that product-related CI moderates this effect. The people-related form of CI exerts an indirect influence on REO through product-related CI. We thus observe different roles of people- and product-related CI, with the latter serving as a boundary condition to the effect of PD. Specifically, a high level of PD undermines relational exchanges between partners under conditions of poor, rather than strong, product-related CI.

From a theoretical perspective, our study enriches research on exporter–importer relationships and potentially other phenomena affected by PD in international markets. To our knowledge, the current study is the first to identify and empirically test CI as a boundary condition to the effect of PD on REO; in doing so, it helps explain the mixed empirical evidence and deepens insight into the paradox of PD (Håkanson and Ambos 2010; Magnusson and Boyle 2009). In using expectancy–value theory, the study reconciles research on PD and CI, two constructs that have been studied separately for decades. From a managerial perspective, we reveal that PD should not always be closed in international channel relationships. To handle the effect of PD appropriately with foreign partners, marketing managers should consider the favorability of their product-related CI and, to a lesser extent, their people-related CI.

THEORETICAL BACKGROUND AND HYPOTHESES

The REO Concept

The idea that relationships and transactions are the two extremes of a relational/transactional continuum in interfirm exchange is central to the field of relationship marketing (Anderson and Narus 1991; Dwyer, Schurr, and Oh 1987). The nature of exchange along the continuum depends on a variety of norms (e.g., flexibility, solidarity), behaviors (e.g., communication, cooperation), and situations (e.g., time orientation, interdependence) (e.g., Anderson and Narus 1990; Heide and John 1992). In line with Sheth and Shah's (2003) study, which coined the term "exchange orientation," we define REO as repeated and maintained episodes of exchange over time with trust, commitment, communication, and cooperation between the partners. We use the term "REO" interchangeably with relationships and relational exchanges.

Our focus is on REO to capture the nature of exchange along the transactional/relational continuum rather than on relationalism or relationship quality. First, relationalism has been mainly captured by norms alone (e.g., Bello, Chelariu, and Zhang 2003). We want to go further in capturing the nature of exchange along the transactional/relational continuum by incorporating the central trust–commitment component and key behaviors such as cooperation. Second, relationship quality has been treated as an overarching relational construct and has mainly been operationalized as being based on trust, commitment, and satisfaction (Skarmeas et al. 2008), with additional components such as cooperation and communication (Leonidou et al. 2014). Although it is conceptually close to REO, relationship quality often includes a measure of exchange outcomes (e.g., satisfaction). Our conceptual treatment of REO assumes instead that positive exchange outcomes flow from the relationship (Leonidou et al. 2014). To this point, theories of interfirm relationships (e.g., transaction costs, social exchange theories) identify expected outcomes as a core explanatory mechanism underpinning relational exchanges (Anderson and Narus 1990).

Negative Effect of PD on REO

In the international marketing literature, competing ways of conceptualizing and operationalizing PD coexist. The objective approach relies on secondary data and objective measures of differences between countries (e.g., number of kilometers between countries, gross domestic product per capita; e.g., Brewer 2007; Dow and Karunaratna 2006). In contrast, the subjective approach uses perception-based techniques to collect primary, individual-level data on these political, legal, economic, sociocultural, and technological (PEST) differences (Evans, Mavondo, and Bridson 2008; Sousa and Lages 2011). We align ourselves with the vast majority of studies on PD in cross-border relationships, which have adopted the subjective approach. Evans and Mavondo (2002a, p. 516) state that "it is the mind's processing, in terms of perception, of cultural and business differences that forms the basis of psychic distance." The development of any interfirm relationship is an informal process influenced by perceptual constructs (Katsikeas, Skarmeas, and Bello 2009).

Notwithstanding the consensual use of perceptual PD in the international relationships literature (see Zhang, Cavusgil, and Roath 2003), we observe marked diversity in the conceptual treatment of PD in the literature (for empirical studies published since the year 2000, see Table 1). Researchers have conceptualized PD by relying on the extent to which managers (1) perceive degrees of dissimilarity/differences between their home country and their foreign partner's country (e.g., Griffith and Dimitrova 2014; Johnston et al. 2012; Katsikeas, Skarmeas, and Bello 2009), (2) are familiar with these differences (e.g., Heroux and Hammoutene 2012; Leonidou, Barnes, and Talias 2006; Leonidou et al. 2011), or (3) find these differences problematic (Bello, Chelariu, and Zhang 2003). Some studies have focused on differences between countries (e.g., Katsikeas, Skarmeas, and Bello 2009; Skarmeas et al. 2008), while others focused on differences between companies (in regard to business environments, working methods, etc.) (e.g., Leonidou et al. 2011, 2014).

Regarding the unit of analysis, it was occasionally difficult to retrieve precisely which type of relationship respondents were asked to select and answer for. Moreover, variations can again be observed. Studies have focused on relationships with reference to their size (e.g., the largest or third-largest partner; Griffith and Dimitrova 2014; Skarmeas et al. 2008), representativeness (e.g., the majority of foreign customers; Leonidou, Barnes, and Talias 2006; Leonidou, Katsikeas, and Hadjimarcou 2002), or difficulty (e.g., the most challenging partner; Zhang, Cavusgil, and Roath 2003). The industries of the focal business relationships often were not well reported, and nor were the foreign countries; studies often reported only the home country (where the exporter/importer sample was recruited). Failure to specify the nationality of both partners may not have been an issue for the purpose of the studies, but it makes it difficult to extrapolate from their findings. For instance, there is no easy way to assess whether observations were made in base conditions of low, moderate, or high PD between the home and foreign countries. The degree of PD could lead to different behaviors and consequences in relationships (Magnusson and Boyle 2009).

The empirical studies do not theorize contingent relationships between PD and relational exchanges despite theorists' encouragement to do so. For instance, Conway and Swift's (2000) conceptual study positioned PD as an antecedent to trust and commitment in international relationships, with varying degrees of impact depending on stage of the relationship. Magnusson and Boyle (2009) extend this idea to the PD paradox by positing that when a cross-border relationship is in an early phase of development, the effect of PD could be detrimental in a context of high PD (it increases uncertainty and inhibits trust) but relatively insignificant in a context of low PD (the assumed similarity does not threaten effective exchanges). When the relationship is at a more advanced stage, PD could be beneficial to firms in a context of high PD (uncertainty is reduced as a result of ongoing information sharing between partners) but detrimental in a context of low PD (the relationship is hurt by poor outcomes resulting from inattention to small differences). This line of conceptual research indicates the importance of documenting both home and foreign countries and of capturing various degrees of PD to investigate its effects in business relationships.

Both transaction costs theory (Williamson 1975) and social exchange theory (Macneil 1980) explain why PD is likely to deter relational exchanges. From a transaction costs perspective, all forms of distance (e.g., geographic, cultural, economic) generated by differences in countries' PEST environments increase not only direct costs (e.g., tariffs in the absence of regional trade agreements) but also indirect costs. Searching for information abroad takes longer, reaching satisfactory agreements with foreign partners is more difficult, adapting agreements to

Table 1. Selected Empirical Studies on the Effects of PD in Exporter–Importer Relationships

Study	Conceptual and Empirical Highlights	Research Setting and Unit of Analysis
Leonidou, Katsikeas, and Hadjimarcou (2002)	Purpose: Comparing harmonious and problematic relationships with foreign customers (degree of satisfaction) on, for example, latent (dependence, distance, trust, uncertainty, understanding) and manifest (adaptation, commitment, communication, conflict, cooperation) atmospheres Conceptualization: Distance refers to the degree of unfamiliarity of one party in a business relationship with the characteristics of the other, with regard to social, cultural, structural, and procedural aspects such as business environment, working methods, structure, etc. Findings: Harmonious relationships between parties are characterized by greater trust, commitment, communication, and cooperation, as well as lesser distance	Companies: Exporting manufacturers Industries: Industrial goods, including machine tools, supplies and materials (~75%) and consumer goods, including household durables, foodstuffs, and beverages (~25%) Home/Foreign countries: United States/83 unspecified countries Relationship: Foreign customers in general
Bello, Chelariu, and Zhang (2003)	Purpose: Testing the impact of relationalism (information exchange, solidarity, and flexibility) and its antecedents (resource inadequacy, manufacturer dependence, market volatility, product complexity, human content, and PD) on distributor performance Conceptualization: Psychic distance refers to problems a firm encounters as a result of its ignorance of sociocultural differences (culture, language, customs and values of the people, and business practices) experienced in the foreign market Findings: No significant effect of PD on relationalism	Companies: Exporting manufacturers Industries: Unspecified Home/Foreign countries: United States/Unspecified Relationship: A single, focal export distributor and foreign market
Zhang, Cavusgil, and Roath (2003)	Purpose: Testing the impact of trust and manufacturer reliance on relational norms on manufacturer competitiveness in the export market, with cultural distance, hostility of legal/institutional environment, and relative dependence on the foreign distributor as antecedents Conceptualization: Cultural distance refers to country differences on Hofstede's (1980) dimensions, based on Kogut and Singh's (1988) index Findings: Cultural distance has no significant impact on trust and relational norms	Companies: Exporting manufacturers Industries: Heavy equipment and machinery, appliances, medical equipment, and electronics Home/Foreign countries: United States/Unspecified Relationship: The most challenging foreign distributor
Leonidou, Barnes, and Talias (2006)	Purpose: Testing the impact of uncertainty, conflict, and distance on relationship quality (trust, commitment, satisfaction, communication, cooperation, adaptation, and understanding) Conceptualization: See Leonidou, Katsikeas, and Hadjimarcou (2002) Findings: Partially validates the negative impact of distance on relationship quality; these results are observed for commitment, communication, cooperation, and satisfaction but not for other quality components	Companies: Exporting manufacturers Industries: From machine tools and accessory equipment to component parts and raw materials Home/Foreign countries: United States/Unspecified Relationship: The majority of foreign customers

Table 1. Continued

Study	Conceptual and Empirical Highlights	Research Setting and Unit of Analysis
Skarmeas et al. (2008)	Purpose: Testing the impact of drivers related to markets (PD, environmental uncertainty) and exporters (role performance and transaction-specific investments) on relationship quality (trust, commitment, and satisfaction) Conceptualization: Psychic distance refers to the perceived dissimilarity between foreign and domestic operating environments in terms of culture (traditions, values, and language), accepted business practices, economic environment, legal system, and communication infrastructure Findings: Psychic distance negatively affects relationship quality	Companies: Importing distributors Industries: Machinery and equipment, chemicals, textiles, and paper Home/Foreign countries: United Kingdom/Unspecified Relationship: The largest, third-largest, or fifth-largest foreign supplier
Katsikeas, Skarmeas, and Bello (2009)	Purpose: Testing the effect of trust on performance outcomes, moderated by interdependence, with opportunism, internal and external uncertainty, transaction specific assets, and psychic distance as antecedents Conceptualization: See Skarmeas et al. (2008) Findings: Psychic distance positively affects opportunism and negatively affects trust	Companies: Importing distributors Industries: See Skarmeas et al. (2008) Home/Foreign countries: United Kingdom/32 countries (EU: ~42%, North America: ~23%, Far East: ~23%) Relationship: See Skarmeas et al. (2008)
Leonidou et al. (2011)	Purpose: Testing effects of adaptation on relationship efficiency and effectiveness, moderated by dependence and distance, with trust, commitment, cooperation, and communication as antecedents Conceptualization: See Leonidou, Katsikeas, and Hadjimarcou (2002) Findings: Distance reduces the positive effect of relationship adaptation on relationship effectiveness and efficiency	Companies: Importers Industries: Unspecified Home/Foreign countries: United Kingdom/Western Europe and North America Relationship: Most representative one with a foreign supplier (e.g., duration > five years)
Heroux and Hammoutene (2012)	Purpose: Exploring differences in perceptions between U.S. and Canadian managers in terms of dependence, understanding, commitment, communication, uncertainty, conflict, and distance in relationships with foreign partners Conceptualization: Distance is the degree of unfamiliarity of one business party with the other Findings: Trust is the only dimension of relationships on which perceptions differ; PD is relatively small between the United States and Canada	Companies: Exporters (pure exporting: ~50%, hybrid, also with manufacturing: ~50%) Industries: Unspecified Home/Foreign countries: United States and Canada/The same Relationship: Unspecified
Johnston et al. (2012)	Purpose: Testing effects of trust and satisfaction on joint action, with communication frequency and bidirectionality as antecedents and PD as a moderator of these links Conceptualization: Psychic distance refers to buyers' perceptions of the differences between the operating environments of buyers and sellers in an international exchange relationship Findings: Psychic distance reduces positive effects of communication on trust and satisfaction but does not moderate effects of trust and satisfaction on joint action	Companies: Importers Industries: Unspecified Home/Foreign countries: Taiwan/China: ~17%, United States: ~13%, Japan: ~12%, Singapore: ~11%, and Hong Kong: ~9% Relationship: Unspecified

Table 1. Continued

Study	Conceptual and Empirical Highlights	Research Setting and Unit of Analysis
Leonidou et al. (2014)	Purpose: Conducting a meta-analysis on the antecedents (opportunism, conflict, communication, cultural distance, and adaptation), components (cooperation, trust, and commitment), and outcomes (relationship performance and financial performance) of relationship quality Conceptualization: Distance is any prevention, delay, or distortion of information shared between partners in a relationship that keeps them apart Findings: Distance negatively affects cooperation, trust, and commitment and, thus, relationship quality	Companies: Exporters: ~58%, importers: ~27%, dyads (but not necessarily matched): ~15% Industries: Unspecified (i.e., meta-analysis) Home/Foreign countries: United States: ~27%, United Kingdom: ~13%, China: ~10%, and Australia: ~8%/Unspecified Relationship: Foreign partners as a whole or with a particular partner
Griffith and Dimitrova (2014)	Purpose: Testing effects of business and cultural distance on complementarity of capabilities, which is expected to affect satisfaction with performance (moderated by distance) Conceptualization: Business distance refers to perceived differences in the economic environment, legal and political system, business practices, market structure, and language; cultural distance refers to perceived differences across Hofstede's (1980) dimensions Findings: Business distance negatively affects complementarity; business distance and cultural distance have opposite effects in moderating the complementarity to satisfaction path (the former reduces the effect, while the latter enhances it); and cultural distance negatively affects satisfaction	Companies: Exporters Industries: Unspecified, but manufacturing sector Home/Foreign countries: United States/Unspecified Relationship: The primary foreign buyer
Skarmeas, Zeriti, and Baltas (2016)	Purpose: Testing effects of relationship-specific assets, knowledge sharing, complementary capabilities, and relational norms, as well as PD (moderated by cultural sensitivity), on relationship value, which is expected to affect relational outcomes (insensitivity to competitive offerings and future purchase expansion) Conceptualization: See Skarmeas et al. (2008) Findings: Psychic distance negatively affects relationship value under conditions of low cultural sensitivity	Companies: Importing firms Industries: Machinery, equipment, chemicals, and textiles Home/Foreign countries: United Kingdom/Unspecified Relationship: See Skarmeas et al. (2008)

unexpected contingencies becomes more frequent, and associated monitoring becomes more costly. From a social exchange perspective, the expectation is that a partner will act in a predictable manner to build a foundation of trust and other relational norms and behaviors (Anderson and Narus 1990; Dwyer, Schurr, and Oh 1987). Psychic distance hinders predictability and, thus, the development of social exchange relations (e.g., Katsikeas, Skarmeas, and Bello 2009; Leonidou, Barnes, and Talias 2006; Skarmeas et al. 2008).

Psychic distance should be a real problem in exporter–importer relationships. Samiee and Walters (2006, p. 594) note that "the international context invariably introduces some additional barriers: time-zone, language, lack of or limited face-to-face contacts, and cultural differences. These barriers impede information flows which are so critical to relational exchanges." Psychic distance emerges from the factors that interfere with the way firms learn about and understand foreign environments and, thus, foreign business partners' behaviors (Johanson and Vahlne 1977; Nordstrom and Valhne 1994). According to Johanson and Vahlne's (2009) later retrospective, although the impact of PD on export market entry order has weakened in intervening years, low levels of PD continue to help exporters recognize and develop relational opportunities abroad.

In line with transaction costs, social exchange, and internationalization theories, studies have found a negative impact of PD on the level of harmony within export relationships (Leonidou, Katsikeas, and Hadjimarcou 2002), trust and relationship quality between exporters and importers (Leonidou et al. 2014; Skarmeas et al. 2008), and importers' perceived relationship value with foreign suppliers (Skarmeas, Zeriti, and Baltas 2016). However, several studies have presented confounding results that seem to defy straightforward explanation. For instance, Bello, Chelariu, and Zhang (2003) invalidate the hypothesized negative relationship between PD and relationalism. To explain this finding, they postulate that PD may incite managers to adopt a governance structure that is more contractual than relational. Leonidou, Barnes, and Talias (2006) stop short of offering an explanation for their results' partial validation of the expected negative impact of PD on the relationship quality components. Griffith and Dimitrova (2014) observe that business distance reduces the positive effect of complementarity of capabilities on exporters' satisfaction with their performance in international markets, while cultural distance enhances it; however, these authors do not place emphasis on explaining this surprising opposite influence. Finally, Johnston et al. (2012) are unable to confirm that PD moderates the relationship of trust and satisfaction with joint action. They explain this result in the following manner:

> Though psychic distance might thwart the positive relational environment built by trust and satisfaction, buyers might still opt for joint action with sellers due to consideration of possible accomplishment of common goals.... Another plausible explanation could be the existence of calculative commitment among buyers, which indicates an economic rationale behind the continuance of a relationship.... Thus, commitment may enable buyers to overcome the detrimental effects of psychic distance and engage in joint action with sellers. (Johnston et al. 2012, p. 45)

As such, these authors point to the role of expected outcomes as a possible offsetting factor to the negative effects of PD.

We acknowledge discrepancies in the theorization of PD effects within international channel relationships and the absence of a satisfactory explanation for the mixed empirical evidence. Nonetheless, theory-driven arguments support a detrimental direct effect of PD on relational exchanges in exporter–importer ties. Consequently, we hypothesize the following:

H_1: The larger the PD, the weaker the REO.

Positive Effect of CI on REO

In the international marketing literature, different conceptualizations of CI also coexist. There is agreement that CI is a subjective (not objective) matter, and the term "image" refers to a mental representation or picture (Jaffe and Nebenzahl 2001). Instead, scholars have debated the macro versus micro level of analysis of CI and the dimensions of countries that best reflect their international image (environments, people, or products). Table 2 illustrates the diversity of approaches and presents a sample of representative studies on CI.

Among the two conceptualizations of macro CI (PEST environment CI and people-related CI), we chose to focus on people-related CI for two reasons. First, beliefs about people are likely to play a more significant role in a study of business relationships with foreign partners than beliefs about a country's environment. Second, measures used to capture environment-related CI occasionally

Table 2. Selected Empirical and Conceptual Studies on CI

	Macro CI		Micro CI
	Environment-Related CI	**People-Related CI**	**Product-Related CI**
Conceptualization	A person's beliefs about a country in connection to its PEST environment	A person's beliefs about a country in connection to its people	A person's beliefs about a country in connection to a specific product category
Operationalization	Extent to which a country's environment is characterized by, for instance, economic development, per capita income, technological research, standard of living, unemployment, labor costs, industrialization, literacy, education, welfare system, civilian nonmilitary government, free market, and democracy	Extent to which people from a specific country are characterized by, for instance, likeability, trustworthiness, friendliness, creativity, knowledge, competence, education, and hard work	Extent to which products from a specific country are characterized by, for instance, quality, reliability, innovativeness, design, prestige, and workmanship; or extent to which a country is capable of conceiving, designing, engineering, or assembling a given product category
Representative Studies			
Roth and Romeo (1992)			X
Martin and Eroglu (1993)	X		
Parameswaran and Pisharodi (1994)	X	X	X
Ahmed and D'Astous (1995)			X
Verlegh and Steenkamp (1999)	X	X	X
Jaffe and Nebenzahl (2001)			X
Bradley (2001)		X	X
Pharr (2005)	X		X
Laroche et al. (2005)	X	X	X
Knight, Holdsworth, and Mather (2007)	X		X
Josiassen, Lukas, and Whitwell (2008)			X
Zeugner-Roth, Diamantopoulos, and Montesinos (2008)		X	
Roth and Diamantopolous (2009)	X	X	X
Oberecker and Diamantopoulos (2011)	X		X

overlap with measures of PD. For instance, Parameswaran and Pisharodi (1994), and other studies extending their work, capture macro CI (i.e., general country attributes) by measuring perceptions of differences/similarities between home and foreign countries in terms of politics, culture, and economy. In the present study, PD already captures this comparison between home- and foreign-country environments.

In the literature on the micro/product-related CI, Roth and Romeo (1992, p. 480) specify that "country image is the overall perception consumers form of products from a particular country, based on their prior perceptions of the country's production and marketing strengths and weaknesses." In this article, we build on Roth and Romeo (1992) and Roth and Diamantopoulos (2009) to define product-related CI as a person's beliefs about a country in connection to a specific product category. In turn, we rely on Laroche et al. (2005) and Zeugner-Roth, Diamantopoulos, and Montesinos (2008) to define people-related CI as a person's beliefs about a country in connection to its people.

Another important discussion relates to the way CI should be conceptualized with regard to processes that lead to image formation in people's minds. In their extensive review of the CI construct, Roth and Diamantopoulos (2009) show that the majority of previous studies have emphasized cognitive processes (e.g., beliefs formed on the basis of information), while only a minority investigate affective processes (e.g., emotions). These authors also highlight the need for studies to better incorporate normative processes (e.g., pressure from important others) as well as processes related to conation (e.g., behavioral intention). The conative aspect in CI work has been defined as a motivational and volitional component reflecting consumers' desired level of interaction with the sourcing country (Knight, Holdsworth, and Mather 2007).

The theories of reasoned action and planned behavior (Fishbein and Ajzen 1975, 2010) are commonly used to explain the effect of CI on people's behaviors. These theories posit that beliefs and norms translate into attitudes that guide behaviors. Given that CI is accepted as a belief (Martin and Eroglu 1993; Nagashima 1970), the country-of-origin effect is the attitude toward a specific country that is derived from its CI. Norms and values related to, for instance, patriotism, ethnocentrism, and attractiveness of a foreign culture influence the extent to which the country-of-origin effect, as an attitude, is favorable. In turn, the attitude (e.g., like/dislike) toward a specific country determines behaviors (e.g., seek/avoid) in relation to its people or products (e.g., Jaffe and Nebenzahl 2001; Roth and Diamantopoulos 2009).

We assert that beliefs about a country in connection to its people and their characteristics, such as friendliness, creativity, hard work, and technical skills (Zeugner-Roth, Diamantopoulos, and Montesinos 2008) can shape the relational behaviors of teams of managers. Qualities of interfirm relationships develop from those of interpersonal ties. To this point, Styles, Patterson, and Ahmed (2008) note that business partners' likeability is a driver of affective commitment and goodwill trust in exporter–importer relationships. In a study of importers' relationships, Barnes et al. (2015) observe that the combination of personal characteristics and familiarity with the exporting firm's ethnic origins is conducive to interfirm trust. Furthermore, the corporate image of exporters (importers), which is a function of their CI, can be expected to influence the relational preferences of industrial buyers (sellers) (see Bradley 2001). A favorable people-related CI is thus conducive to REO because it contributes to the development of (1) interpersonal ties between the exporting and importing firms' managers and (2) a corporate reputation that elevates the overseas partner's sense of sureness in the relationship.

Extensive research has shown that a favorable CI leads to positive attitudes from end consumers toward products from a specific country, which, in turn, promote favorable intentions and behaviors (Jaffe and Nebenzahl 2001; Pharr 2005). In industrial marketing, the topic is seldom studied even if research has established that professional buyers are similarly affected by the CIs in their product evaluations (Ahmed and D'Astous 1995; Verlegh and Steenkamp 1999) and international sourcing decisions (Vinhas da Silva, Davies, and Naudé 2001). In a study examining how CI shapes industrial purchasers' perceived value of food products, Knight, Holdsworth, and Mather (2007, p. 121) reveal that "the mode of action of a product-country image summary construct is to provide channel members with a shorthand notation for trust. Trust appears to be the central component that enhances perceived quality while minimizing perceived monetary sacrifice–thereby leading to enhanced perceived value." In a review of the literature on importer behavior, Leonidou et al. (2011) emphasize the importance of product quality criteria in the selection of suppliers. Moreover, it is likely that a firm's beliefs about the partner's country in connection to its understanding and appreciation of product quality and consistency of quality are important drivers of relationship value and continuance (see Ulaga and Eggert

2006). Thus, we also expect a favorable product-related CI to enhance REO:

H_2: The more positive the (a) people-related CI and (b) product-related CI, the greater the REO.

Few studies have investigated the effect of micro CI on macro CI, which has been labeled the reverse country-of-origin effect (e.g., Lee and Lockshin 2012). Instead, different theorizations of the effect of the origin cue (i.e., halo, summary, or heuristic default) on product evaluation suggest the existence of a transfer from the macro to the micro image (Laroche et al. 2005; Oberecker and Diamantopoulos 2011). For instance, Knight, Holdsworth, and Mather (2007, p. 109) argue that "it is possible for a product-country image to change over time, sometimes rapidly, either by design or as a result of technological, social or political change. Judgments consumers make about a country and its people transfer to evaluations of the performance of products from that country." Accordingly, we propose that within cross-border relationships, the reputation of people from a given country benefits the reputation of its products. Thus,

H_3: The more positive the people-related CI, the more positive the product-related CI.

Moderating Role of CI in the Relationship of PD and REO

We turn to an established behavioral theory, the expectancy–value approach, to theorize the interaction of PD and CI in connection to REO. The approach traces its origins back to the set of theories in psychology developed in the 1940s and 1950s to explain motivation, performance, decision making, learning, and cognition (Feather 1959). One of the most cited works is Atkinson's (1957) risk-taking model and later developments. Another is Fishbein's expectancy–value model, developed in the early 1960s to link beliefs to attitudes, and which later became a pillar of the reasoned action theory (Fishbein and Ajzen 1975, 2010). Over the decades, the expectancy–value approach has been extended to a variety of domains, including education, health, management, and communications. Other variables have been incorporated, but expectancy and value have remained central to the model, albeit under different names. Within this overall approach, expectancy theory (Vroom 1964) explains that motivation to perform in the workplace depends on expectancy (the belief that performing is feasible), instrumentality (the belief that performing will lead to expected outcomes), and valence (the belief that performing is worth the effort).

We draw on the channel relationships literature to understand how the expectancy–value approach can extend to exporter–importer ties. Expectancy theory has been recognized as a valid framework to analyze interfirm relational exchanges (Dwyer, Dahlstrom, and DiNovo 1995). In this context, Frazier (1983, p. 71) explains that "the higher the expected rewards and the required investments, the higher a representative will set the firm's goals and the higher the motivation for making the relationship a success." Following this logic, we propose to situate CI in relation to expected rewards and PD in relation to required investments. Managers expect positive outcomes in international markets (e.g., export performance, competitiveness) and are motivated to develop or maintain relationships with foreign partners to reach these goals. In Vroom's (1964) terms, relationships are therefore instrumental to success in international markets. For managers, the belief sustaining this view of instrumentality could translate to: "Interacting with this specific foreign partner in a relational orientation–that is, trusting them, committing to them, cooperating with them, and communicating with them–will lead to positive outcomes."

As for valence, the concept of relationship value suggests what valence can mean in international relationships. Defined as a trade-off between benefits received and costs incurred in a given relationship, value in relationships can stem from higher product quality and consistency of quality over time, on-time deliveries, improvements in know-how, better support services, pleasant personal interactions, lower operation costs, and so on (Ulaga and Eggert 2006). As such, the belief underlying valence in managers' minds could translate to: "A relationship with this foreign partner will bring our firm important cost reductions and benefits in terms of products, services, and much more; thus, it is worth the effort developing and maintaining." A favorable CI is likely to increase valence—the belief that interacting in a relational manner with foreign partners is worth the effort. A favorable product-related CI will raise expectations of benefits in terms of product quality and associated know-how. In turn, a favorable people-related CI should raise expectations of benefits in terms of, for example, personal interactions and services.

Finally, we turn to expectancy, which, in Vroom's (1964) terms, is the subjective probability that effort leads to performance. The beliefs underlying expectancy in managers' minds could translate to: "The efforts we put into exchanges with this foreign partner will enable us to develop/maintain a relationship with them." Exchanges with foreign partners require increased efforts and investments in time and human and financial resources. Examples include trusting people with different values, committing under different legal systems, cooperating across time differences, and overcoming (non)verbal differences in communication. For this reason, we situate PD as a factor decreasing managers' expectancy, or the belief that they can succeed in interacting with foreign partners in a relational manner and, ultimately, seize expected outcomes.

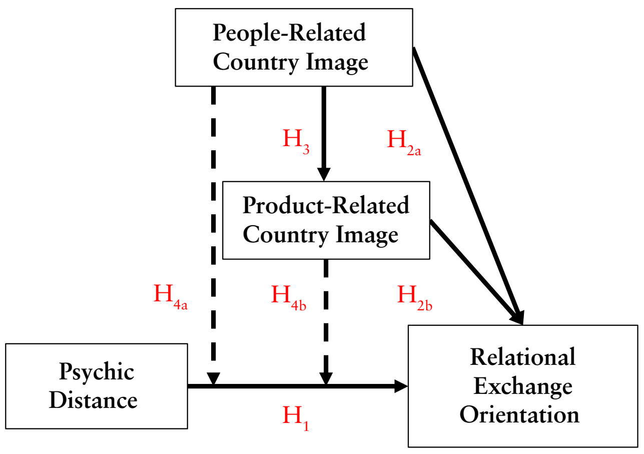
A pillar of the expectancy–value approach is the multiplicative function between expectancy and valence. For instance, Atkinson (1957, p. 360) states that "the strength of motivation to perform some act is assumed to be a multiplicative function of the strength of the motive, the expectancy (subjective probability) that the act will have as a consequence the attainment of an incentive, and the value of the incentive." More recently, Nagengast et al. (2011, p. 3) explain, "The cornerstone of [expectancy–value theory] EVT was the critical role of the expectancy-by-value interaction (E×V).... EVT predicted a multiplicative pattern of relations between expectancy, value, and resulting motivation. To achieve a high level of motivation, both expectancy and value had to be high. If either expectancy or value were low, high values on the other dimension were of little or no consequence for motivation and behavior." Similarly, we propose that PD and CI interact in a multiplicative way in shaping REO. Specifically, forms of CI serve as moderators of the main PD-to-REO relationship. The logic is that a favorable CI will raise valence and motivate managers to overcome the detrimental effects of PD in the development of cross-border relationships. In summary, we posit that the effect of PD on REO depends on people- and product-related CI:

H_{4a}: People-related CI moderates the path between PD and REO in such a way that the more positive the people-related CI, the weaker the negative effect of PD on REO.

H_{4b}: Product-related CI moderates the path between PD and REO in such a way that the more positive the product-related CI, the weaker the negative effect of PD on REO.

Figure 1 depicts the theoretical framework comprising the study hypotheses.

Figure 1. Theoretical Model



METHODS

Research Context

Our study tested the hypotheses using survey data from exporters and importers in the global wine industry, which we selected as a relevant context for the specific purposes and design of this study for three reasons. First, an industry-specific approach lends itself to the variables studied. Product-related CI strongly relates to particular product categories and is commonly studied in the context of specific industries (e.g., cars, clothing, food). Because this study is the first to investigate the role of CI in relation to PD in international channel ties, we required a single industrial context in which origin effects are evident. Although prior research in the global wine industry has mainly focused on end-consumer behaviors (e.g., Felzensztein and Dinnie 2005), we can assume that industrial buyers are also sensitive to wine origin, if only because of its impact on end consumers.

Second, the global wine industry is conducive to both transactional and relational exchanges. Wines present the advantage of being treated as specialty products (high product involvement) or commodities (low involvement) depending on their price and origin. For high-end wines, firms derive advantages not only from the quality and scarcity of raw materials (i.e., grapes) but also from the processing skills and craft that accumulate over time. This aspect of the industry encourages long-term relationships between buyers and sellers. For low-end products, an arm's-length market trades wine in bulk across borders with prices and quantities as the main criteria for (transactional) exchange.

Third, distances between trade partners in the global wine industry have been widening, not shrinking, with new producers and consumers emerging from developed and developing economies. In Bartlett's (2009) terms, "New World" wine producers (e.g., the United States, Australia, Argentina) have initiated a global wine war against exporters from the "Old World" (e.g., France, Spain, Italy) over the big emerging markets (e.g., Brazil, India, China).

Operationalization of Constructs

We used a perception-based approach to operationalize all constructs because we aimed to understand how perceptions and beliefs about foreign countries influence managers' behaviors in exchanges with international partners. After having carefully screened the relevant literature, we chose existing scales for PD (Sousa and Lages 2011), people-related CI (Zeugner-Roth, Diamantopoulos, and Montesinos 2008), and product-related CI (Felzensztein and Dinnie 2005). The latter scale is particularly relevant because it was developed for the chosen product category and measures beliefs about countries in connection to wine, rather than beliefs about wine in connection to countries. We used Sousa and Lages's (2011) 13-item scale for PD as is, but we adapted available scales for people- and product-related CI in two ways. First, we converted them to five-point semantic differential scales, as per Martin and Eroglu's (1993) recommendations for the image construct. Then, we developed mirroring versions because they had only been developed from the perspective of buyers.

For REO, we developed a global scale to capture the orientation of exchange along the transactional/relational continuum. Prior research has measured trust, commitment, long-term orientation, communication, and cooperation among firms using a set of multi-item scales (e.g., Anderson and Narus 1990; Leonidou et al. 2011; Morgan and Hunt 1994; Obadia 2008; Whipple, Lynch, and Nyaga 2010), but doing so leads to lengthy questionnaires and low response rates. To solve this problem, we captured REO using items tapping well-documented behavioral dimensions from the literature as first-order dimensions. Specifically, we used five items that tap each of the trust, commitment, cooperation, information exchange, and time orientation dimensions, and a sixth item assessing relationships from "purely arm's-length exchange" to "close and personal." Appendix A presents the items and scales used to measure the study constructs.

We included four salient variables from the literature as controls: (1) product price, which served as a proxy for product involvement—situations of high involvement (characterized by, e.g., intensive prepurchase planning) could induce more relational exchanges, with trust and communication as uncertainty coping mechanisms (Sheth and Shah 2003); (2) relationship duration and (3) knowledge of partner country (i.e., knowledge gained from the informant's personal experience of the country)—as these increase, the exchange orientation becomes more relational by virtue of accumulated experience and enhanced trust (see Barnes et al. 2015; Katsikeas, Skarmeas, and Bello 2009); and (4) role in the supply chain—being in a buying/importing role could increase REO, because securing product quality and quantity is of more strategic importance than disposing of goods in a selling/exporting role (Geiger et al. 2012). Single-item, seven-point scales were used to measure product price (anchored at "under $5" and "over $40," in U.S. currency) and relationship duration (anchored at "under 1 year" and "over 20 years"). We developed a single-item, five-point bipolar scale (anchored at "very limited knowledge" and "very extensive knowledge") to capture knowledge of partner country. Finally, firm type was recorded and recoded to tap the respondent's role in the supply chain (i.e., 1 = exporter, 2 = mixed, and 3 = importer).

Questionnaire Development and Pretest

The survey instrument for the study was an online questionnaire built using Unipark's Questback EFS 10.1 software. To ensure content validity, we discussed an early version of the questionnaire with six business managers in the wine industry from the exporting side and three managers from the importing side. The present study is part of a larger research project investigating role differences in business relationships. For this reason, some decisions made about the survey design (e.g., collecting both buyers' and sellers' opinions) were motivated by the larger project. The one-on-one discussions with wine professionals helped ensure that the items were well understood by people in the wine business and that the provided preset list of countries was germane to the setting. In addition, we asked eight academics specializing in international relationship marketing to ensure that the items adequately captured the variables under study. We then refined the questionnaire in light of comments made by both of these groups.

To obtain as much variation as possible in terms of PD and CI, it was important to make the questionnaire available in several languages. We followed standard procedures for translation and back-translation of the questionnaire, which was initially drafted in English. After this procedure, we were able to provide the questionnaire in six languages: English, French, Spanish, Mandarin, Russian, and Portuguese. We then sent an online survey to 3,629 wine importers and exporters (compiled from a listing purchased from Best Wine Importers and from a manual search of wine association members in the top ten wine-producing countries). This pilot survey yielded 70 questionnaires, a sufficient number to pretest our survey instrument. The validity and robustness checks conducted on this sample led us to drop two items from the PD scale and two items from the people-related CI scale (see Table 3). The other scales did not require adjustments.

Survey Instrument and Informant Quality

Structured in three parts, the questionnaire first asked respondents to identify a specific wine category that they were either purchasing or selling in two different foreign countries. For the selection of the product category, respondents were given the choice between red, white, rosé, and sparkling wine, along with seven retail price points (ranging from less than US$4.99 to more than US$40). For the selection of two countries, we provided a preset list of countries among traditional (France, Germany,

Table 3. Measurement Model Results

Factors	Standardized Loadings	t-Values
REO (AVE = .75; CR = .93; α = .95)		
REO1—Trusting	.85	11.72
REO2—Cooperating	.89	11.99
REO3—Committing	.89	11.91
REO4—Long-term oriented	.85	11.29
REO5—Close and personal	.89	11.83
REO6—Communicating	.82	11.05
PD[a] (AVE = .65; CR = .87; α = .91)		
PD1—Economic and industrial development	.83	11.41
PD2—Communication infrastructure	.78	10.01
PD3—Marketing infrastructure	.79	10.58
PD4—Administrative and technical procedures	.78	9.98
PD5—Laws and regulations	.79	10.05
PD6—Per-capita income	.83	11.13
PD7—Purchasing power of consumers	.82	11.10
PD8—Lifestyles	.89	11.96
PD9—Consumer preferences	.77	9.89
PD10—Level of literacy and education	.83	11.34
PD11—Cultural values, beliefs, attitudes, and traditions	.71	8.83
People-Related CI[b] (AVE = .58; CR = .71; α = .74)		
PeoCI1—Technical skills and training	.77	9.92
PeoCI2—Friendly and likeable	.74	9.15
PeoCI3—Creative	.74	9.17
Product-Related CI (AVE = .71; CR = .81; α = .88)		
PrdCI1—Volume	.75	9.74
PrdCI2—Know-how/knowledge	.90	12.53
PrdCI3—Quality	.89	11.98
PrdCI4—Reputation	.87	11.71

[a]Two items dropped after pretest: “Market competitiveness” and “Language.”
[b]Two items dropped after pretest: “Well educated” and “Hardworking.”
Notes: Model fit: χ^2(d.f. = 206) = 340.00, $p < .01$; GFI = .94; NFI = .96; CFI = .98; TLI = .98; RMSEA = .05. CR = Composite reliability; α = Cronbach’s alpha.

Italy, Portugal, and Spain) and emerging (Argentina, Australia, Canada, Chile, New Zealand, South Africa, and the United States) supply markets for buyers as well as among traditional (Canada, France, Germany, the United Kingdom, and the United States) and emerging (Brazil, China, India, and Russia) markets for sellers. We designed the questionnaire so that the respondents' answers were automatically incorporated into the remainder of the questionnaire. The next step consisted of asking respondents to think about their largest business partner (in terms of volume purchased or sold) for this specific category in each of the two selected countries. After confirming this mental selection (using a "yes/no" attention control question), respondents were asked to answer the rest of the questionnaire with these two business partners in mind (without naming them).

In the second part of the questionnaire, respondents were asked to characterize the REO for both partners, the degree of similarity or difference between their country of work and the two partners' respective countries, and the image of each country with regard to people in general and wine in particular. The third part collected data on demographics and controls. We also measured the key informants' competence on a five-point scale in terms of degree of self-confidence in portraying the selected business relationships accurately, personal involvement in the relationships, and decision-making power with regard to doing business with the two selected partners (for a similar procedure, see Ulaga and Eggert [2006]).

Data Collection and Survey Response

For the main data collection, we opted to send the questionnaire through Global Wine & Spirits (GWS), a specialized electronic marketplace in the global wine industry (business to business only). Based in Montreal, this platform connects 6,700 buying and selling companies located in nearly 100 countries. Overall, data collection lasted six weeks. We followed the procedure for online surveys recommended by Dillman, Smyth, and Christian (2008). The survey was first announced in the GWS's weekly newsletter and then sent through e-mail to members on two separate occasions (at a ten-day interval), along with a cover letter in English. Over this time period, 927 people opened the link to the survey included in the e-mail leading to the language selection page. Of this total, 722 selected the language of their choice, moved on to the introduction page, and began answering the survey. From this effective sampling frame, we received 235 responses. We discarded 13 answers owing to missing data, 34 because informants had chosen partners from their own country instead of foreign ones, and 9 owing to low competence (below the scale midpoint) in portraying the relationships with foreign partners. As a result, we obtained 179 valid answers, giving an effective response rate of 24.8%, which compares favorably with other studies on international relationships (Griffith and Dimitrova 2014). Because each respondent was asked to report on two business relationships, we collected a sample of 358 relationships.

The informants worked in 35 countries and answered for foreign partners from 16 countries. The collected sample is characterized by a diversity of country pairings (e.g., an exporter from France assessing the exchange with importers from China and Australia, an importer from Canada assessing the exchange with exporters from the United States and Italy) and, thus, by high degrees of variation in terms of PD and CI evaluation. Appendix B provides detail on the study participants and Appendix C shows characteristics of the analyzed relationships.

ANALYSIS AND RESULTS

Measure Validation

We first conducted tests for sampling adequacy, language bias, and nonresponse bias. A Kaiser–Meyer–Olkin statistic of .89 demonstrates no issue with sampling adequacy. Because the questionnaire was available in various languages, we looked for signs of language bias by testing (using t-tests) for differences in the study constructs for English versus non-English responses. The test yielded nonsignificant results ($p > .05$), indicating the absence of language bias. Assuming that respondents who answered in the last stage of the data collection are similar to actual nonrespondents, we compared (using t-tests) laggard respondents with the early ones on the study constructs. Again, we noted no significant differences ($p > .05$), suggesting the absence of nonresponse bias.

Subsequently, we evaluated the reliability and validity of the constructs (Hair et al. 2010). For reliability, we observed Cronbach's alpha (>.73) and composite reliability (>.70). For convergent validity, we found average variance extracted (AVE) (>.57) and standardized factor loadings (>.70). Table 3 shows that the measurement analyses indicated good reliability and convergent validity. Furthermore, Table 4 presents correlations among the latent variables in the study—including our controls—together with scale means and standard deviations. Correlations between the independent variables falling below the recommended threshold of .30 (Hair et al. 2010)

Table 4. Correlations Among Latent Variables, Means, and Standard Deviations

Constructs	1	2	3	4	5	6	7	8
1. REO	1							
2. PD	–.36	1						
3. People-related CI	.17	–.01	1					
4. Product-related CI	.39	–.26	.13	1				
5. Product price	.31	.06	.10	.06	1			
6. Relationship duration	.41	–.18	.13	.20	.04	1		
7. Knowledge of partner country	.08	–.08	.00	.02	.01	.12	1	
8. Role in the supply chain	.35	–.18	.13	.10	.04	–.02	.10	1
M	2.76	3.03	3.18	2.81	2.84	3.15	1.43	1.70
SD	1.18	1.33	.74	1.09	1.48	1.66	.60	.85

Notes: Correlations greater than .15 or less than –.15 are significant at $p = .05$.

indicate that multicollinearity is not likely to be a problem in the study. There are no discriminant validity issues, as every squared correlation exceeds the relevant AVE scores.

We also checked for common method bias using the marker variable approach (Podsakoff et al. 2003). We first included a marker variable (i.e., a construct theoretically unrelated to other constructs in the model) in advance, so there is an a priori justification for predicting a zero correlation. Following Leonidou et al. (2011), we used experience in position to serve as a marker variable. Second, we adopted post hoc identification of a marker variable through the second-smallest correlation among the variables in the study (i.e., r = .01). To implement the two tests, we computed a method bias-adjusted correlation matrix in line with Malhotra, Kim, and Patil (2006). In both cases, correlations remained stable, indicating the absence of method bias.

Test of Hypotheses

We deployed structural equation modeling to test our hypotheses, using STATA. Specifically, we estimated a parsimonious model in which the control variables were included as drivers of REO. We followed Byrne's (2010) recommendations for model assessment. Thus, we considered the chi-square ratio (i.e., to degrees of freedom) and a variety of other fit indices. The theorized model indicated good fit (χ^2/d.f. = 2.30; goodness-of-fit index [GFI] = .91; normed fit index [NFI] = .92; comparative fit index [CFI] = .94; Tucker–Lewis index [TLI] = .91; root mean square error of approximation [RMSEA] = .06). Table 5 presents the path coefficients and their significance for each hypothesis.

As per H_1, we find that PD negatively affects REO (β = –.22, p < .01). People-related CI does not influence REO (β = –.03, p > .05), leading to the rejection of H_{2a}. In contrast, H_{2b} is supported, because product-related CI enhances REO (β = .29, p < .01). The results uphold our expected H_3 path that people-related CI affects product-related CI (β = .32, p < .01). Although people-related CI does not moderate the effect of PD on REO (β = .01, p > .05), product-related CI does negatively condition the path (β = .12, p < .05). Thus, we reject H_{4a} and find support for H_{4b}, respectively. In summary, our predictions regarding effects of CI on REO are supported in the case of product-related CI, whereas people-related CI affects REO indirectly through product-related CI. Results for the control variables show that product price (proxy for involvement; β = .10, p < .05), relationship duration (β = .46, p < .01), and role in the supply chain (β = .20, p < .01)[1] all influence REO, but knowledge of partner country exerts no such effect on REO (β = .04, p > .05). The amount of REO variance explained in the model is 24.23%.

Additional Analyses

We validated the hypothesized model by comparing it with two theoretically plausible alternative approaches to the relationship between PD and CI (including the same controls). Both alternatives exclude interaction effects

Table 5. Structural Model Results

Structural Paths	Path Coefficients	t-Values
Hypothesized Paths		
H_1: PD → REO	–.22	–24.00**
H_{2a}: People-related CI → REO	–.03	–.27
H_{2b}: Product-related CI → REO	.29	24.08**
H_3: People-related CI → Product-related CI	.32	8.92**
H_{4a}: PD × People-related CI → REO	.01	.45
H_{4b}: PD × Product-related CI → REO	.12	2.03*
Control Paths		
Product price → REO	.10	2.40*
Relationship duration → REO	.46	65.28**
Knowledge of partner country → REO	.04	.77
Role in the supply chain → REO	.20	12.68**

*$p < .05$.
**$p < .01$.
Notes: Model fit: χ^2(d.f. = 27) = 62.10, p = .02; GFI = .91; NFI = .92; CFI = .94; TLI = .91; RMSEA = .06.

Table 6. Comparative Analysis of Alternative Models

Indices	Hypothesized Model (CI Moderates Effect of PD)	Alternative Model 1 (CI → PD)	Alternative Model 2 (PD → CI)
χ^2/d.f.	2.30	3.80	5.20
GFI	.91	.81	.73
NFI	.92	.71	.70
CFI	.94	.84	.81
TLI	.91	.89	.80
RMSEA	.06	.09	.12
R^2 REO	24.23%	20.11%	19.30%
R^2 PD	—	—	6.21%
R^2 product-related CI	17.51%	16.73%	15.42%
R^2 people-related CI	—	—	—

between PD and CI because these are anchored in expectancy–value theory.

Alternative Model 1 (CI → PD). In relation to decision makers' cognitive processes, Bruner, Jacqueline, and Georges's (1956) categorization theory asserts that categorization is the process by which people group pieces of information (e.g., events, objects, people) into classes and respond to them accordingly, to reduce complexity in their environment. In like manner, image theory situates CI as a category that helps people process and react to the origin cue among other information cues (Jaffe and Nebenzahl 2001). Following this logic, people form a mental representation of a foreign country that leads them to perceive (dis)similarities with their home country. Thus, Alternative Model 1 has CI as an antecedent to PD and tests the following relationships: the more positive the people-related CI, the lower the PD; and the more positive the product-related CI, the lower the PD.

Alternative Model 2 (PD → CI). With respect to decision makers' affective processes, Zajonc's (1968) mere-exposure theory proposes that repeated exposure to a stimulus increases the liking of this stimulus. Distance in all its forms impedes exposure and thus reduces likability. The related theory of propinquity (Festinger, Schachter, and Back 1983), documented in the psychology of interpersonal attractiveness (i.e., people that are physically/psychologically similar tend to be attracted to each other), supports the idea that PD reduces the likeability and attractiveness of foreigners. Likewise, international marketing scholars have argued that because PD prevents information flows, it could reduce the attractiveness of foreign partners in relation to domestic ones (Johnston et al. 2012; Leonidou et al. 2011). Thus, Alternative Model 2 situates PD as an antecedent to CI and tests the following relationships: the lower the PD, the more positive the people-related CI; and the lower the PD, the more positive the product-related CI.

As we reveal in Table 6, the hypothesized model compares favorably against the alternative models in terms of both overall model fit and percentage of variance of the dependent variables (e.g., REO) explained. Therefore, we conclude that the hypothesized model is the best one.

In another post hoc analysis, we evaluated the hypothesized model on the basis of ordinary least squares regression. The regression results were fully consistent with our structural model testing of the hypotheses. Variance inflation factors from the regressions provided further evidence that multicollinearity is not an issue in the study. They ranged from 1.74 to 5.32, well below the recommended cutoff score of 10 (Kutner, Nachtsheim, and Neter 2004).

DISCUSSION AND IMPLICATIONS

Contrary Direct Effects of PD and CI

The results suggest PD and CI are nonnegligible drivers of REO in exporter–importer ties, though they play contrasting roles. On the one hand, we confirm a negative impact of PD on REO (H_1 is supported), which reflects prior research on relationship quality in international markets (Katsikeas, Skarmeas, and Bello 2009; Leonidou, Barnes, and Talias 2006; Skarmeas et al. 2008). On the other hand, our findings uncover a positive effect of product-related CI on REO with foreign partners (H_{2b} is supported). This novel result echoes and extends prior research on the role of CI in supplier evaluations (Bradley 2001; Knight, Holdsworth, and Mather 2007; Vinhas da Silva, Davies, and Naudé 2001). Although the hypothesized positive effect of people-related CI on REO is invalidated (H_{2a} is not supported), this does not mean that people-related CI is of no importance. Our results confirm the existence of a transfer from the macro image of a country's people to the micro image of its products (H_3 is supported). The implication is that the image of a country's people can be a powerful tool to enhance the image of goods from specific origins, even in an industrial context. The novelty of this insight for industrial marketing lies in that the transfer takes place from the macro image, conceptualized as a people-related facet, and not by the PEST environment–related facet of CI. The finding reflects place-branding work on the role citizens play as brand ambassadors for their country (Dinnie 2008) and studies in consumer behavior showing the influence of affect toward people on product evaluations (Roth and Diamantopoulos 2009; Zeugner-Roth, Diamantopoulos, and Montesinos 2008).

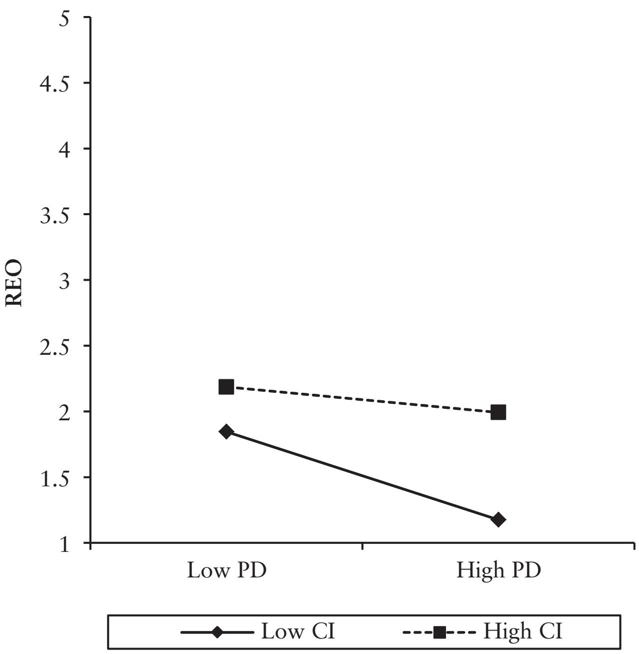
A Favorable Micro CI Mitigates the Detrimental Effect of PD on REO

Our results confirm the negative effect of PD on REO in international markets (Skarmeas et al. 2008). However, they tell a somewhat different story about the effect of PD when considered in combination with CI. First, we observe that people-related CI does not moderate the PD-to-REO path (H_{4a} is not supported). By contrast, we find that product-related CI mitigates the negative effect of PD on REO (H_{4b} is supported). The results support our proposition to situate CI as a boundary condition to the effect of PD, but they add nuance to the dominant role of product-related CI.

The expectancy–value approach underscores that PD is not always highly detrimental in international channel relationships. In fact, PD can be mitigated by the introduction of valence factors. To explore the moderation effect in detail, we plotted the relationship between PD and REO in situations of high and low levels of product-related CI (see Figure 2). A strong product-related CI (i.e., positive beliefs about a country in connection to the product category) significantly reduces the negative influence of PD on REO. Firms should not be concerned about the negative effect of PD when they can utilize valence beliefs—stemming from a highly favorable product-related CI—that the relationship is worth the effort. Detrimental effects of PD are mainly relevant for firms with poor product-related CI.

When managers hold contradictory perceptions and beliefs about a foreign country (i.e., high PD and high product-related CI), REO with partners from the country

Figure 2. Plot of the Moderating Role of Product-Related CI in the Relationship of PD and REO



can still be achieved. This observation could reflect the attractiveness of "exotic" business partners. Although the wine industry may appear relatively unique for valuing exotic suppliers, extent research on CI has demonstrated the existence of strong product–country matches in manufacturing sectors, in which exoticism is of little importance (e.g., Germany and cars, the United States and computers, Japan and electronics; Dinnie 2008; Jaffe and Nebenzahl 2001). Alternatively, an explanation for enhanced REO in situations of high PD and positive product-related CI may be present in the theory of cognitive dissonance (Festinger 1957), which explains that when people hold conflicting beliefs, this creates a psychological discomfort that they try to reduce. One mechanism for reducing dissonance is to seek as much new information as possible (e.g., about the foreign country). Increased knowledge and understanding of differences may motivate managers to develop relationships with partners from the country.

Theoretical Implications

The study contributes to theory in three main ways. First, it contributes to explaining the mixed evidence on the effects of PD on exporter–importer relationships. Using a contingency perspective, we believe this study offers the first empirical validation of the role played by product-related CI in moderating the PD-to-REO association. Given its theoretical foundations in the expectancy–value approach, this result implies that factors increasing the worth of exchange with foreign partners may mitigate PD because they boost managerial motivation and the willingness to create close partnerships.

Our significant moderation finding extends existing insights in the international channels literature. For instance, Johnston et al. (2012) refer to calculative commitment and expected achievement of common goals to explain unexpected results that PD does not mitigate the relationships of trust and satisfaction with joint action. Studies on the effects of PD on other foreign-market-entry strategy decisions have also demonstrated the moderating role of factors that increase valence. For instance, Malhotra, Sivakumar, and Zhu (2009) find that market size moderates the effect of PD on international market selection. More broadly, economics studies based on the gravity theory of international trade (Tinbergen 1962) have shown that the attractiveness of countries in terms of economic mass (measured with their gross domestic product, for instance) can override the negative impact of geographical distance. Product CI is just one boundary condition that explains why the detrimental effect of PD can be significantly attenuated. Other factors increasing valence in exchange (e.g., market size, market share, partners' corporate and individual reputations) represent potential boundary conditions to PD and could further explain mixed evidence on the effects of PD.

The second theoretical implication of the study is that it provides a deeper understanding of the PD paradox. As an explanation for this paradox, O'Grady and Lane (1996, p. 324) note, "The phenomenon we have referred to as the psychic distance paradox seemed to be created by common, but unexplored, assumptions or underlying beliefs about the United States that decision-makers held in Canadian retail companies." Without naming it, O'Grady and Lane (1996) refer to the concept of CI. They attribute the poor performance of Canadian retailers to an overly favorable CI of the United States in Canada, which not only created excessive expectations but also impeded required retailer efforts to enter the country successfully. Our study provides an alternative explanation. We find that in a context of low levels of PD, its effect can be more detrimental if CI is poor (see Figure 2). Canada's lower-than-expected CI in the United States could thus explain why—despite low PD—Canadian retailers struggled there. This view is supported by the result that the paradox did not hold for U.S. firms that successfully expanded in Canada. U.S. firms may have benefited from a better CI in Canada (like PD, CI is asymmetric). In the same way, the ignored role of CI could explain several of the conflicting observations made by Stottinger and Schlegelmilch (1998). For instance, they were surprised that U.S. managers overestimated PD with Canada and Mexico but underestimated PD with Hong Kong. In light of our study, Hong Kong may simply have benefited from a stronger CI. Integrating the role of CI could challenge Stottinger and Schlegelmilch's (1998) conclusions about the lack of relevance of the PD construct.

Evidently, we wish we could properly revisit conflicting evidence in the exporter–importer relationships literature. For instance, we might argue that Bello, Chelariu, and Zhang (2003) did not observe a negative effect of PD on relationalism, or Zhang, Cavusgil, and Roath (2003) and Leonidou, Barnes, and Talias (2006) on trust, because a favorable CI had offset the effect of PD. Unfortunately, most studies on the role of PD in cross-border relationships have not documented the country-of-origin of foreign partners (see Table 1), precluding such alternative explanations. Indeed, from a methodological standpoint, studying boundary conditions (e.g., CI, other valence factors) to the effects of PD in international relationships ideally requires researchers to document business partners' country of origin, incorporate varying degrees of PD in survey designs, and harmonize conceptualizations of PD (differences between countries or companies) and relationship selection criteria (size, representativeness, or difficulty) to enhance comparability of results.

The third theoretical implication pertains to how our study reconciles research on PD with research on beliefs, attitudes, and behaviors. We offer the first empirical validation of the interplay between PD and CI and their mutual, yet contrasting, influence on behaviors in international markets (here, REO). Despite Håkanson and Ambos's (2010) call to reunite the construct of PD with managerial attitudes and beliefs, research has been compartmentalized. We believe this is the case because the accepted definition of PD (as a perception) and theories traditionally used to study PD (i.e., transaction costs and social exchange theories) make it difficult to find common conceptual ground. The current study bridges the conceptual gap by taking a behavioral perspective, using the expectancy–value approach (Vroom's [1964] expectancy theory in particular). As a result, we suggest reconsidering the conceptualization of PD as a belief rather than a perception. A perception is defined as the way people select, organize, and interpret intrinsic (e.g., sights, sounds, smells, tastes) or extrinsic (e.g., brand, price, country of origin) stimuli (Roth and Diamantopoulos 2009). A belief is defined as the subjective probability that an object (e.g., a country) has specific attributes (Fishbein and Ajzen 2010). Although it might not seem significant to shift from the idea that PD is the perception of differences between countries to the idea that it is the belief that a foreign country has different attributes than the home country, it would facilitate the use of behavioral theories related to cognition, affect, attitudes, motivation, and decision making (e.g., Atkinson 1957; Festinger, Schachter, and Back 1983; Fishbein and Ajzen 2010; Vroom 1964). Thus, this study acts as a stepping stone toward a finer understanding of the way managers develop distance perceptions and beliefs about foreign countries, which are then translated into attitudes and behaviors toward their people and products.

Managerial Implications

The current study provides managers with new ideas in two main respects. First, we propose alternative coping mechanisms when the effect of PD is detrimental in international channel relationships. Available recommendations have targeted reducing distance by means of, for instance, cross-cultural training, trips abroad, and language courses (Leonidou, Barnes, and Talias 2006; Leonidou et al. 2011). Given our finding that subjective PD can attenuate REO in exporter–importer relationships, it is crucial that partners are able to calibrate, assess, and reduce their respective PD perceptions during formative phases of the relationship. These activities to reduce distance could be used to integrate the two sets of managers. In addition, our study encourages consideration of forms of CI in exchange strategies and communications with foreign partners. In this way, managers could work with their governments and trade associations to reinforce their product CI, as well as the people CI (for its indirect effect), through participation in and funding of place-branding campaigns and promotion activities (e.g., international trade fairs, commercial delegations to foreign countries) (Dinnie 2008).

Firms might also derive benefit from adapting their communication strategies according to the degree of favorability of their product-related CI. Marketers from countries with a positive micro image that are aiming to develop relationships with psychically distant foreign business partners should not hesitate to flaunt the positive image of their country of origin for the production or consumption of goods (e.g., providing statistics or rankings, associations with positive attributes). Firms that lack a positive micro image could proactively dampen the presence of an origin cue in their communications and highlight other cues (e.g., design, brand, price). This suggestion aligns with strategies described by Deshpandé (2010) for firms from emerging markets to overcome the provenance paradox (i.e., not having a favorable product CI in spite of producing quality products; e.g., Venezuela and chocolate, Mexico and beer).

The second important managerial implication of the study is to show that efforts toward reducing PD could be misplaced in situations—such as in the presence of a high level of product-related CI—in which it has minimal impact on REO. This invites managers to learn about their foreign business partners' beliefs regarding the firm's home country; to this purpose, managers can use direct or indirect inquiries (e.g., through available country brand rankings).[2] Firms may adapt their market selection strategies accordingly. When confronted with an unfavorable product-related CI, managers should target markets where foreign partners have low PD evaluations and avoid high PD contexts. When armed with a favorable product-related CI, firms should not consider PD as a major impediment. They might even target countries where partners have high PD evaluations, because this set of circumstances could help firms differentiate themselves from competitors with lower PD evaluations and avoid the distance paradox (e.g., shocks caused by unanticipated differences) in relational exchanges. In summary, firms with strong product-related CI should not always attempt to close PD, because they have the option of leveraging high levels of PD in their partnering strategies and still achieving and maintaining REO.

LIMITATIONS AND AVENUES FOR FURTHER RESEARCH

The results of the study need to be interpreted while bearing in mind certain limitations. First, although the research design enabled the collection of a high quality sample characterized by large degrees of variation in terms of PD and CI, future studies should work toward the collection of representative samples of narrower portions of an industry's value chain (e.g., exporter–importing distributor) to increase specificity and precision of the results. Second, researchers should control for the risk of potential selection bias from our unit of analysis (i.e., relationships with the largest business partners in different countries) affecting the generalizability of the results. Third, because the wine industry is sensitive to CI, replications of the study in other industry-specific contexts will also help establish the external validity and generalizability of the findings. Finally, the study has other limitations common with research on interfirm relationships (e.g., nonmatched relationships, one informant per company), which future studies should tackle when aiming to confirm our results.

Overall, six avenues for further research are particularly promising in relation to the study implications. It is important that researchers (1) test the effectiveness of place branding activities in reducing or leveraging the effect of PD in international channel relationships; (2) aim to explain greater REO variance by using other antecedents in addition to PD and CI (e.g., relationship value, uncertainty/volatility, interdependence/power); (3) integrate conceptually environment-related CI with product- and people-related CI to unravel their nebulous linkages with PD; (4) test the impact of other valence factors (e.g., market size, partners' market share, product price and complexity, product involvement) as moderators to the effect of PD; (5) widen the conceptualization of PD as a subjective influence alone—although our approach is consistent with theories of motivation, both real and perceived distance between markets place added significance on developing cross-border relationships (Samiee, Chabowski, and Hult 2015); and (6) cross-fertilize the expectancy–value approach using related motivation and cognitive/affective theories (e.g., reasoned action theory, categorization theory, mere-exposure theory) pertinent to PD in international markets.

Stottinger and Schlegelmilch (2000, p. 172) have commented that "only when antecedents to and dimensions of the construct of psychic distance are established can strategies to overcome psychic distance be developed." Fifteen years later, significant effort has resulted in a satisfactory understanding of antecedents and dimensions of the PD construct (Brewer 2007; Evans and Mavondo 2002b; Sousa and Lages 2011). Nevertheless, highly inconsistent results still lead us to question, and defend, the relevance of the psychic and cultural distance constructs (e.g., Shenkar 2001; Zaheer, Schomaker, and Nachum 2012). The relevance of CI is also facing acute criticism as to its theoretical and operational foundations (e.g., Josiassen and Harzing 2008; Samiee 2011). By showing that previously unexplored boundary conditions (i.e., CI) to the effect of PD exist in exporter–importer ties (Magnusson and Boyle 2009), this study invites researchers to move on from questions concerning what PD is and why it would or would not matter and to start focusing on *when* it matters. To develop relevant strategies to overcome the effects of PD in international markets, this study strongly suggests that scholars steer their focus toward managers' motivations in further research.

NOTES

1. This finding implies that firms that play an importer role in the supply chain have greater REO. Role in the supply chain reflects that global wine traders may act as exporters or importers or else combine both roles at the firm level (see Appendix B), even if the vast majority of our respondents (80.40%) opted to address the relationship-level study constructs with customers in mind (see Appendix C).
2. Examples include www.simonanholt.com/Research/research-the-anholt-gfk-roper-nation-brands-index-sm.aspx, http://www.futurebrand.com/cbi/2014, and www.placebrandobserver.com/country-brand-rankings.

Appendix A. Operationalization of Constructs

Scale	From 1 =	To 5 =
REO: "Please indicate how you would characterize business with the [Provider/Customer] in [Country #1/#2]:"		
REO1	Low trust	High trust
REO2	Little cooperation	Strong cooperation
REO3	Low commitment	High commitment
REO4	Short-term orientation	Long-term orientation
REO5	Purely arm's-length transactions	Close and personal relationships
REO6	Superficial information exchange	Meaningful information exchange
People-Related CI (PeoCI): "In [Country #1/#2], people…"		
PeoCI1	Have low levels of technical skills and training	Have very high levels of technical skills and training
PeoCI2	Are not friendly and likeable at all	Are very friendly and likeable
PeoCI3	Are not creative at all	Are extremely creative
Product-Related CI (PrdCI): "In [Country #1/#2], [Producers/Consumers] are known for…"		
PrdCI1	[Producing/Consuming] very small volumes of wine	[Producing/Consuming] very large volumes of wine
PrdCI2	Having very little [know-how/knowledge] about wines	Having tremendous [know-how/knowledge] about wines
PrdCI3	[Very low quality wines/Appreciating low quality wines]	[Very high quality wines/Appreciating high quality wines]
PrdCI4	[Being bad wine producers/Having no international reputation for consuming wine]	[Being excellent wine producers/Having a widespread international reputation for consuming wine]
PD: "Compared to [work country], [Country #1/#2] is:" (1 = "extremely similar" and 5 = "extremely different")		
PD1	Level of economic and industrial development	
PD2	Communications infrastructure	
PD3	Marketing infrastructure	
PD4	Administrative and technical procedures	
PD5	Laws and regulations	
PD6	Per-capita income	
PD7	Purchasing power of consumers	
PD8	Lifestyles	
PD9	Consumer preferences	
PD10	Level of literacy and education	
PD11	Cultural values, beliefs, attitudes and traditions	

Appendix B. Sample Description: Respondents and Their Firms (n = 179)

Descriptive Variables	Sample Characteristics
Language selection	English: 39.1%; French: 26.3%; Spanish: 26.3%; Portuguese: 5.6%; Mandarin: 1.7%; Russian: 1.1%
Position	Owner/CEO: 29.6%; top management (general manager): 25.7%; middle management (purchasing manager, sales manager, export manager/director): 32.4%; staff (purchasing agent/staff, sales and marketing staff, agent): 9.5%; technical and consulting (enologist, sommelier, adviser): 2.8%
Experience in position	Less than 1 year: 6.1%; 1–3 years: 16.8%; 3–5 years: 16.2%; 5–10 years: 26.3%; 10–15 years: 17.3%; 15–20 years: 9.5%; over 20 years: 7.8%
Work country of respondent	35 countries: France: 18.4%; Italy: 15.1%; Spain: 12.8%; Portugal: 7.3%; Argentina: 5.0%; Australia: 4.5%; Canada: 3.9%; Chile, Mexico: 2.8% (each); South Africa, United States: 2.2% (each); China, Greece, Netherlands, Norway, Switzerland, United Kingdom: 1.7% (each); Cyprus, Georgia, New Zealand, Puerto Rico, Russia: 1.1% (each); Belgium, Bolivia, Croatia, Germany, Hong Kong, Macedonia, Malaysia, Singapore, Slovenia, Togo, Uganda, Uruguay, Venezuela: .6% (each)
Native country of respondent	39 countries: France: 19.6%; Italy: 14.0%; Spain: 13.4%; Portugal: 6.1%; Argentina: 4.5%; United Kingdom: 3.4%; Canada, Chile: 2.8% (each); Australia, Mexico, Netherlands, South Africa, Switzerland, United States: 2.2% (each); Greece, New Zealand: 1.7% (each); Belgium, China, Cyprus, Germany, Georgia, Puerto Rico: 1.1% (each); Bolivia, Burundi, Croatia, Denmark, Kenya, Macedonia, Malaysia, Mongolia, Romania, Russia, Singapore, Slovenia, Togo, Uruguay, Venezuela: .6% (each)
Firm size	Fewer than 10 employees: 57.5%; 11–50 employees: 28.5%; 51–100 employees: 6.7%; 101–250 employees: 3.4%; 251–500 employees: 1.1%; 501–1,000 employees: 1.1%; more than 1,000 employees: 1.7%
Firm type	Firms with activities located:
	Upstream of the value chain (producer, exporter, producer and exporter): 61%; across the whole value chain (producer, exporter, and importer; producer, exporter, and wholesaler; producer, exporter, and retailer; producer, wholesaler and retailer; exporter, importer, and wholesaler; producer, exporter, importer, and wholesaler; producer, exporter, wholesaler, and retailer; exporter, agent/broker, and wholesaler; exporter, agent/broker, importer, and wholesaler): 10%
	Downstream of the value chain (importer; agent/broker; wholesaler; retailer; importer and wholesaler; importer and retailer; importer, wholesaler, and retailer; agent/broker, importer, and wholesaler; including "other activities" [i.e., consultancy companies, wine school, sommelier, and winemaker association] for 2.8%): 29%
Market type	Do business with partners from: both traditional and emerging market/supply markets: 67.0%; traditional market/supply markets only: 27.4%; emerging market/supply markets only: 5.6%

Appendix C. Sample Description: Interfirm Relationships (n = 358)

Descriptive Variables	Sample Characteristics
Product type	Red wine: 80.40%; white wine: 13.40%; sparkling wine: 4.50%; rosé wine: 1.70%
Retail price (US$)	Less than $5: 15.10%; $5–9.99: 30.70%; $10–$14.99: 24.60%; $15–$19.99: 15.60%; $20–$29.99: 7.80%, $30–$39.99: 2.80%; more than $40: 3.40%
Type of relationship	Selected relationships with: customers: 80.40%; suppliers: 19.60%
Duration of relationship	Less than 1 year: 15.60%; 1–3 years: 31.00%; 3–5 years: 14.20%; 5–10 years: 19.60%; 10–15 years: 9.80%; 15–20 years: 7.30%; more than 20 years: 2.50%

Appendix C. Continued

Partner Country (16 Countries)	Respondent Country (i.e., Work Country; 35 Countries)
United States (17.00%)	France: 4.74%; Italy: 3.63%; Spain: 1.95%; Argentina: 1.39%; New Zealand, Greece, Portugal: .55% (each); Canada, Chile, Germany, United Kingdom, Bolivia, Georgia, Mexico, Netherlands, Norway, Puerto Rico, Singapore, Switzerland, Uruguay: .28% (each)
China (16.00%)	France: 4.46%; Italy: 2.79%; Spain: 2.23%; Australia: 1.95%; Portugal, South Africa: .84% (each); Greece: .55%; Argentina, Germany, New Zealand, Croatia, Georgia, Macedonia, Singapore, Switzerland: .28% (each)
Germany (15.65%)	Italy, Spain: 3.63% (each); France: 2.23%; Portugal: 1.67%; Greece, Argentina, Chile, South Africa: .55% (each); United States, Croatia, Georgia, Macedonia, Netherlands, Norway, Slovenia, Switzerland: .28% (each)
United Kingdom (9.50%)	France: 3.00%; Italy: 1.95%; Spain: 1.39%; Portugal: .84%; Australia: .55%; Russia, South Africa, United Kingdom, Cyprus, Norway, Switzerland: .28% (each)
Brazil (9.21%)	Argentina: 1.95%; Portugal: 1.67%; Spain: .55%; Chile, France: 1.11% (each); Italy, New Zealand, South Africa, Belgium, Bolivia, Mexico, Norway, Puerto Rico, Switzerland, Uruguay: .28% (each)
France (8.10%)	Canada: 1.11%; China, Portugal, Spain: .83% (each); Italy, United Kingdom, Hong Kong, Mexico, Netherlands, Norway: .55% (each); Belgium, Cyprus, Togo, Uganda: .28% (each)
Russia (6.14%)	France: 1.67%; Italy: 1.11%; Spain: .83%; Argentina, Chile, Portugal: .55% (each); Russia, Cyprus, Georgia, Slovenia: .28% (each)
Canada (5.60%)	Australia: 1.39%; Spain: 1.11%; France, Italy: .83%; Portugal, Argentina: .55%; Chile, Mexico: .28% (each)
Spain (3.00%)	Canada: .83%; China, Mexico: .55% (each); Russia, United States, Malaysia, Puerto Rico: .28% (each)
Italy (2.50%)	United States: .83%; Canada, China, United Kingdom, Cyprus, Netherlands, Switzerland: .28% (each)
Chile (2.23%)	Canada, Mexico: .83% (each); United States, Venezuela: .28% (each)
Argentina (1.95%)	United States: .55%; Canada, Italy, Malaysia, Puerto Rico, Venezuela: .28% (each)
India (1.11%)	Australia: .55%; France, South Africa: .28% (each)
South Africa (1.11%)	Spain, United Kingdom, Togo, Uganda: .28% (each)
New Zealand (.55%)	Canada, Russia: .28% (each)
Portugal (.28%)	Netherlands: .28%

REFERENCES

Ahmed, Sadrudin and Alain D'Astous (1995), "Comparison of Country-of-Origin Effects on Household and Organisational Purchasing," *European Journal of Marketing*, 29 (3), 35–51.

Anderson, James and James Narus (1990), "A Model of Distributor Firm and Manufacturer Firm Working Partnerships," *Journal of Marketing*, 54 (January), 42–58.

——— and ——— (1991), "Partnering as a Focused Market Strategy," *California Management Review*, 33 (3), 95–113.

Atkinson, John (1957), "Motivational Determinants of Risk-Taking Behavior," *Psychological Review*, 64 (6), 359–72.

Barnes, Bradley R., Leonidas C. Leonidou, Noel Y.M. Siu, and Constantinos N. Leonidou (2015), "Interpersonal Factors as Drivers of Quality and Performance in Western–Hong Kong Interorganizational Business Relationships," *Journal of International Marketing*, 23 (1), 23–49.

Bartlett, Christopher (2009), "Global Wine War 2009: New World Versus Old," case study, Harvard Business School, (accessed June 23, 2016), [available at https://hbr.org/product/global-wine-war-2009-new-world-versus-old/910405-PDF-ENG].

Bello, Daniel, Cristian Chelariu, and Li Zhang (2003), "The Antecedents and Performance Consequences of Relationalism in Export Distribution Channels," *Journal of Business Research*, 56 (1), 1–16.

Bradley, Frank (2001), "Country–Company Interaction Effects and Supplier Preferences Among Industrial Buyers," *Industrial Marketing Management*, 30 (6), 511–24.

Brewer, Paul (2007), "Operationalizing Psychic Distance: A Revised Approach," *Journal of International Marketing*, 15 (1), 44–66.

Bruner, Jerome, Goodnow Jacqueline, and Austin Georges (1956), *A Study of Thinking*. New York: John Wiley & Sons.

Byrne, Barbara (2010), *Structural Equation Modeling with AMOS: Basic Concepts, Applications, and Programming*, 2nd ed. New York: Routledge Academy.

Conway, Tony and Jonathan Swift (2000), "International Relationship Marketing: The Importance of Psychic Distance," *European Journal of Marketing*, 34 (11/12), 1391–414.

Deshpandé, Rohit (2010), "Why You Aren't Buying Venezuelan Chocolate," *Harvard Business Review*, (December), [available at https://hbr.org/2010/12/why-you-arent-buying-venezuelan-chocolate].

Dillman, Don, Jolene Smyth, and Leah Christian (2008), *Internet, Mail, and Mixed-Mode Surveys: The Tailored Design Method*. Hoboken, NJ: John Wiley & Sons.

Dinnie, Keith (2008), *Nation Branding: Concepts, Issues, Practice*. Oxford, UK: Elsevier.

Dow, Douglas and Amal Karunaratna (2006), "Developing a Multidimensional Instrument to Measure Psychic Distance Stimuli," *Journal of International Business Studies*, 37 (5), 578–602.

Dwyer, Robert, Robert Dahlstrom, and Theresa DiNovo (1995), "Buyer–Seller Relationships: Theoretical Perspectives," in *Business Marketing: An Interaction and Network Perspective*, K.K. Möller and D.T. Wilson, eds. Amsterdam: Springer.

———, Paul Schurr, and Sejo Oh (1987), "Developing Buyer–Seller Relationships," *Journal of Marketing*, 51 (April), 11–27.

Evans, Jody and Felix Mavondo (2002a), "Psychic Distance and Organizational Performance: An Empirical Examination of International Retailing Operations," *Journal of International Business Studies*, 33 (3), 515–32.

——— and ——— (2002b), "Psychic Distance: The Construct and Measurers," in *American Marketing Association Conference Proceedings*, Vol. 13. Chicago: American Marketing Association, 308–14.

———, ———, and Kerrie Bridson (2008), "Psychic Distance: Antecedents, Retail Strategy Implications, and Performance Outcomes," *Journal of International Marketing*, 16 (2), 32–63.

Feather, N.T. (1959), "Subjective Probability and Decision Under Uncertainty," *Psychological Review*, 66 (3), 150–64.

Felzensztein, Christian and Keith Dinnie (2005), "The Effects of Country of Origin on UK Consumers' Perceptions of Imported Wines," *Journal of Food Products Marketing*, 11 (4), 109–17.

Festinger, Leon (1957), *A Theory of Cognitive Dissonance*. Stanford, CA: Stanford University Press.

———, Stanley Schachter, and Kurt Back (1983), "The Spatial Ecology of Group Formation," in *Social Pressure in Informal Groups: A Study of Human Factors in Housing*, Leon Festinger, Stanley, Schachter, and Kurt Back, eds. Stanford, CA: Stanford University Press, 33–59.

Fishbein, Martin and Icek Ajzen (1975), *Belief, Attitude, Intention, and Behavior: An Introduction to Theory and Research*. Reading, MA: Addison-Wesley.

——— and ——— (2010), *Predicting and Changing Behavior: The Reasoned Action Approach*. New York: Taylor and Francis Group.

Frazier, Gary (1983), "Exchange Behavior and Marketing Channels: A Broadened Perspective," *Journal of Marketing*, 47 (October), 68–78.

Geiger, Ingmar, Aurelia Durand, Samy Saab, Michael Kleinaltenkamp, Roger Baxter, and Yeonhee Lee (2012), "The Bonding Effects of Relationship Value and Switching Costs in Industrial Buyer–Seller Relationships: An Investigation Into Role Differences," *Industrial Marketing Management*, 41 (1), 82–93.

Griffith, David and Boryana Dimitrova (2014), "Business and Cultural Aspects of Psychic Distance and Complementarity of Capabilities in Export Relationships," *Journal of International Marketing*, 22 (3), 50–67.

Hair, Joseph, William Black, Babin Barry, and Rolph Anderson (2010), *Multivariate Data Analysis*, 7th ed. Upper Saddle River, NJ: Prentice Hall.

Håkanson, Lars and Björn Ambos (2010), "The Antecedents of Psychic Distance," *Journal of International Management*, 16 (3), 195–210.

Heide, Jan and George John (1992), "Do Norms Matter in Marketing Relationships?" *Journal of Marketing*, 56 (April), 32–44.

Heroux, Lise and Ali Hammoutene (2012), "Relationship Marketing in the American and Canadian Export Sectors: A Matter of Trust," *Journal of American Academy of Business, Cambridge*, 18 (1), 39–46.

Hofstede, Geert (1980), "Culture and Organizations," *International Studies of Management & Organization*, 10 (4), 15–42.

Jaffe, Eugene and Israel Nebenzahl (2001), *National Image and Competitive Advantage*. Copenhagen: Copenhagen Business School Press.

Johanson, Jan and Jan-Erik Vahlne (1977), "The Internationalization Process of the Firm – A Model of Knowledge Development and Increasing Foreign Market Commitments," *Journal of International Business Studies*, 8 (1), 23–32.

——— and ——— (2009), "The Uppsala Internationalization Process Model Revisited: From Liability of Foreignness to Liability of Outsidership," *Journal of International Business Studies*, 40 (9), 1411–31.

Johnston, Wesley, Shadab Khalil, Megha Jain, and Julian Ming-Sung Cheng (2012), "Determinants of Joint Action in International Channels of Distribution: The Moderating Role of Psychic Distance," *Journal of International Marketing*, 20 (3), 34–49.

Josiassen, Alexander and Anne-Wil Harzing (2008), "Descending from the Ivory Tower: Reflections on the Relevance and Future of Country-of-Origin Research," *European Management Review*, 5 (4), 264–70.

———, Bryan Lukas, and Gregory Whitwell (2008), "Country-of-Origin Contingencies: Competing Perspectives on Product Familiarity and Product Involvement," *International Marketing Review*, 25 (4), 423–40.

Katsikeas, Constantine, Dionysis Skarmeas, and Daniel Bello (2009), "Developing Successful Trust-Based International Exchange Relationships," *Journal of International Business Studies*, 40 (1), 132–55.

Knight, John, David Holdsworth, and Damien Mather (2007), "Country-of-Origin and Choice of Food Imports: An In-Depth Study of European Distribution Channel Gatekeepers," *Journal of International Business Studies*, 38 (1), 107–25.

Kutner, Michael, Christopher Nachtsheim, and John Neter (2004), *Applied Linear Regression Models*. Boston: McGraw-Hill Irwin.

Kogut, Bruce and Harbir Singh (1988), "The Effect of National Culture on the Choice of Entry Mode," *Journal of International Business Studies*, 19 (3), 411–33.

Laroche, Michel, Nicolas Papadopoulos, Louise Heslop, and Mehdi Mourali (2005), "The Influence of Country Image Structure on Consumer Evaluations of Foreign Products," *International Marketing Review*, 22 (1), 96–115.

Lee, Richard and Larry Lockshin (2012), "Reverse Country-of-Origin Effects of Product Perceptions on Destination Image," *Journal of Travel Research*, 51 (4), 502–11.

Leonidou, Leonidas, Bradley Barnes, and Michael Talias (2006), "Exporter–Importer Relationship Quality: The Inhibiting Role of Uncertainty, Distance, and Conflict," *Industrial Marketing Management*, 35 (5), 576–88.

———, Constantine Katsikeas, and John Hadjimarcou (2002), "Building Successful Export Business Relationships: A Behavioral Perspective," *Journal of International Marketing*, 10 (3), 96–115.

———, Dayananda Palihawadana, Simos Chari, and Constantinos Leonidou (2011), "Drivers and Outcomes of Importer Adaptation in International Buyer–Seller Relationships," *Journal of World Business*, 46 (4), 527–43.

———, Saeed Samiee, Bilge Aykol, and Michael Talias (2014), "Antecedents and Outcomes of Exporter–Importer Relationship Quality: Synthesis, Meta–Analysis, and Directions for Further Research," *Journal of International Marketing*, 22 (2), 21–46.

Macneil, Ian (1980), "Power, Contract, and the Economic Model," *Journal of Economic Issues*, 14 (4), 909–23.

Magnusson, Peter and Brett Boyle (2009), "A Contingency Perspective on Psychic Distance in International Channel Relationships," *Journal of Marketing Channels*, 16 (1), 77–99.

Malhotra, Naresh, Sung Kim, and Ashutosh Patil (2006), "Common Method Variance in IS Research: A Comparison of Alternative Approaches and a Reanalysis of Past Research," *Management Science*, 52, 1865–83.

Malhotra, Shavin, K. Sivakumar, and PengCheng Zhu (2009), "Distance Factors and Target Market Selection: The Moderating Effect of Market Potential," *International Marketing Review*, 26 (6), 651–73.

Martin, Ingrid and Sevgin Eroglu (1993), "Measuring a Multi-Dimensional Construct: Country Image," *Journal of Business Research*, 28 (3), 191–210.

Morgan, Robert and Shelby Hunt (1994), "The Commitment–Trust Theory of Relationship Marketing," *Journal of Marketing*, 58 (July), 20–38.

Nagashima, Akira (1970), "A Comparison of Japanese and U.S. Attitudes Toward Foreign Products," *Journal of Marketing*, 34 (January), 68–74.

Nagengast, Benjamin, Herbert Marsh, Francesca Scalas, Kit-Tai Hau Man Xu, and Ulrich Trautwein (2011), "Who Took the '×' Out of Expectancy–Value Theory? A Psychological Mystery, a Substantive-Methodological Synergy, and a Cross-National Generalization," *Psychological Science*, 22 (8), 1058–66.

Nordstrom, Kjell and Jan-Erik Valhne (1994), "Is the Globe Shrinking? Psychic Distance and the Establishment of Swedish Sales Subsidiaries During the Last 100 Years," in *International Trade: Regional and Global Issues*, Michael Landeck, ed. New York: Palgrave Macmillan, 41–56.

Obadia, Claude (2008), "Cross-Border Interfirm Cooperation: The Influence of the Performance Context," *International Marketing Review*, 25 (6), 634–50.

Oberecker, Eva and Adamantios Diamantopoulos (2011), "Consumers' Emotional Bonds with Foreign Countries: Does Consumer Affinity Affect Behavioral Intentions?" *Journal of International Marketing*, 19 (2), 45–72.

O'Grady, Shawna and Henry W. Lane (1996), "The Psychic Distance Paradox," *Journal of International Business Studies*, 27 (2), 309–33.

Parameswaran, Ravi and R. Mohan Pisharodi (1994), "Facets of Country of Origin Image: An Empirical Assessment," *Journal of Advertising*, 23 (1), 43–56.

Pharr, Julie (2005), "Synthesizing Country-of-Origin Research from the Last Decade: Is the Concept Still Salient in an Era of Global Brands?" *Journal of Marketing Theory and Practice*, 13 (4), 34–45.

Podsakoff, Philip, Scott MacKenzie, Lee Jeong-Yeon, and Nathan Podsakoff (2003), "Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies," *Journal of Applied Psychology*, 88 (5), 879–903.

Roth, Katharina and Adamantios Diamantopoulos (2009), "Advancing the Country Image Construct," *Journal of Business Research*, 62 (7), 726–40.

Roth, Martin and Jean Romeo (1992), "Matching Product Category and Country Image Perceptions: A Framework for Managing Country-of-Origin Effects," *Journal of International Business Studies*, 23 (3), 477–97.

Samiee, Saeed (2011), "Resolving the Impasse Regarding Research on the Origins of Products and Brands," *International Marketing Review*, 28 (5), 473–85.

———, Brian R. Chabowski, and G. Tomas M. Hult (2015), "International Relationship Marketing: Intellectual Foundations and Avenues for Further Research," *Journal of International Marketing*, 23 (4), 1–21.

——— and Peter Walters (2006), "Supplier and Customer Exchange in International Industrial Markets: An Integrative Perspective," *Industrial Marketing Management*, 35 (5), 589–99.

Shenkar, Oded (2001), "Cultural Distance Revisited: Towards a More Rigorous Conceptualization and Measurement of Cultural Differences," *Journal of International Business Studies*, 32 (3), 519–36.

Sheth, Jagdeth N. and Reshmah H. Shah (2003), "Till Death Do Us Part...but Not Always: Seven Antecedents to a Customer's Relational Preference in Buyer–Seller Exchanges," *Industrial Marketing Management*, 32 (8), 627–31.

Skarmeas, Dionysis, Constantine Katsikeas, Stavroula Spyropoulou, and Esmail Salehi-Sangari (2008), "Market and Supplier Characteristics Driving Distributor Relationship Quality in International Marketing Channels of Industrial Products," *Industrial Marketing Management*, 37 (1), 23–36.

———, Athina Zeriti, and George Baltas (2016), "Relationship Value: Drivers and Outcomes in International Marketing Channels," *Journal of International Marketing*, 24 (1), 22–40.

Sousa, Carlos and Luis Filipe Lages (2011), "The PD Scale: A Measure of Psychic Distance and Its Impact on International Marketing Strategy," *International Marketing Review*, 28 (2), 201–22.

Stottinger, Barbara and Bodo Schlegelmilch (1998), "Explaining Export Development Through Psychic Distance: Enlightening or Elusive?" *International Marketing Review*, 15 (5), 357–72.

——— and ——— (2000), "Psychic Distance: A Concept Past Its Due Date?" *International Marketing Review*, 17 (2), 169–73.

Styles, Chris, Paul G. Patterson, and Farid Ahmed (2008), "A Relational Model of Export Performance," *Journal of International Business Studies*, 39 (5), 880–900.

Tinbergen, Jan (1962), *Shaping the World Economy: Suggestions for an International Economic Policy*. New York: Twentieth Century Fund.

Ulaga, Wolfgang and Andreas Eggert (2006), "Value-Based Differentiation in Business Relationships: Gaining and Sustaining Key Supplier Status," *Journal of Marketing*, 70 (January), 119–36.

Verlegh, Peeter and Jan-Benedict Steenkamp (1999), "A Review and Meta-Analysis of Country-of-Origin Research," *Journal of Economic Psychology*, 20 (5), 521–46.

Vinhas da Silva, Rui Manuel, Gary Davies, and Pete Naudé (2001), "Country of Origin and Destination Effects in Buyer Decision Making: A Relationship Perspective," *Journal of Business-to-Business Marketing*, 8 (3), 37–56.

Vroom, Victor (1964), *Work and Motivation*. New York: John Wiley & Sons.

Walter, Achim, Thomas Ritter, and Hans Georg Gemünden (2001), "Value Creation in Buyer–Seller Relationships: Theoretical Considerations and Empirical Results from a Supplier's Perspective," *Industrial Marketing Management*, 30 (4), 365–77.

Whipple, Judith, Daniel Lynch, and Gilbert Nyaga (2010), "A Buyer's Perspective on Collaborative Versus Transactional Relationships," *Industrial Marketing Management*, 39 (3), 507–18.

Williamson, Oliver E. (1975), *Markets and Hierarchies*. New York: The Free Press.

Zaheer, Srilata, Margaret Spring Schomaker, and Lilach Nachum (2012), "Distance Without Direction: Restoring Credibility to a Much-Loved Construct," *Journal of International Business Studies*, 43 (1), 18–27.

Zajonc, Robert (1968), "Attitudinal Effects of Mere Exposure," *Journal of Personality and Social Psychology*, 9 (2), 1–27.

Zeugner-Roth, Katharina Petra, Adamantios Diamantopoulos, and Ma Ángeles Montesinos (2008), "Home Country Image, Country Brand Equity and Consumers' Product Preferences: An Empirical Study," *Management International Review*, 48 (5), 577–602.

Zhang, Chun, Tamer Cavusgil, and Anthony Roath (2003), "Manufacturer Governance of Foreign Distributor Relationships: Do Relational Norms Enhance Competitiveness in the Export Market?" *Journal of International Business Studies*, 34 (6), 550–66.