

Online Appendix

Measure and Validity of the Instrumental Variable

The instrumental variable, weighted peers' choice of the high-control mode (WPHC), was defined as:

$$WPHC_{ict} = \frac{\sum_j (w_{ijct} * High\ Control_{jct})}{\sum_j w_{ijct}} \quad (1)$$

where i indexes the focal product, c indexes country, j indexes peer products from the same home country, t indexes time, w_{ijct} is the weight for the relationship between focal product i and its peer j , and $High\ Control_{jct}$ is a binary variable which equals 1 if product j adopted a high-control mode, and 0 otherwise.

To construct the weights for the relationship between the focal product and its peers, we considered the (dis)similarity between the firms using the classical multidimensional scaling (MDS) method (Borg & Groenen 2005; Lim, Tuli, & Grewal, 2020). This method is effective in reducing dimensions and can position products from the same home country on a two-dimensional map based on an array of brand- and product-specific characteristics. Specifically, we have considered the host-country experience of the brand and the duration of the product listing on Amazon, as peers with comparable experience online and in the host country can be more relevant benchmarks for the focal product. In addition, we have included product ratings and review count to capture consumers' perceived quality. Products with similar consumer evaluation tend to adopt similar control modes because of the shared market feedback. These four variables were all measured during the 12-month period prior to the focal product's collaboration with Amazon. After MDS, the focal product i and its peer product j can be described by vectors with two components: (x_i, y_i) and (x_j, y_j) . We then obtained the Euclidean distance between products i and j :

$$distance_{(i,j)} = \sqrt{(x_i - x_j)^2 + (y_i - y_j)^2} \quad (2)$$

A smaller distance then indicates greater similarity between the focal product and its peers.

Finally, we calculated the weight, w_{ijct} , as the total distance between i and its peers minus the distance between i and j , normalized by the total distance. In this way, peer products that are more similar to the focal product carry a larger weight and have a greater impact on the control mode of the focal product. Formally, we have:

$$w_{ijct} = \frac{\sum_j distance_{(i,j)} - distance_{(i,j)}}{\sum_j distance_{(i,j)}} = 1 - \frac{distance_{(i,j)}}{\sum_j distance_{(i,j)}} \quad (3)$$

Consider the example of a facial cream produced by L'Occitane, a French brand. It started to collaborate with Amazon in September 2020. All French products were thus considered as its peers, which totals 97 products. We then created a two-dimensional positioning map for all those products based on their host-country experience, duration of listing on Amazon, ratings, and review count during the period of September 2019 to August 2020. This allowed us to compute the Euclidean distance between L'Occitane's facial cream and its peers on the map. For instance, its distance to the toner of Caudalie, another French brand, is 2.04. The total distance between L'Occitane's facial cream and its peers is

464.12. The weight on Caudalie's toner is thus 0.996 ($=1 - 2.04 / 464.12$). The weighted average of peers' choice in high-control mode is 0.543.

We also assessed the relevance of the instrumental variable, as 2SLS regressions can produce inconsistent estimates when the instrument is weak. The Cragg-Donald Wald F statistic was 488.29, much higher than the critical value of 16.38 suggested by Stock and Yogo (2005). Thus, our instrument was not deemed to be weak. Meanwhile, there is no clear correlation between the peers' decisions and the unobservable factors in the error term that might affect the focal product's future performance. Consider the example of cooperativeness, a potential omitted variable in this situation. A firm is more likely to contract sales to Amazon when both parties share similar values and mutual understanding, which serves as a mechanism to govern their transactions and will lead to better sales performance on the platform (Jean, Sinkovics, & Cavusgil, 2010). However, such cooperativeness is specific to the individual firms involved in the exchanges and thus unlikely to be affected by peers' choices of control modes. Furthermore, the use of a weighted average measure gives the instrument a property of granularity, such that there is more variation among products from the same home country (Lim et al., 2020).

Testing the moderating hypotheses in the 2SLS framework is slightly more complex because it involves endogenous interaction terms, namely the interaction between the endogenous regressor (*MNEs' high-control mode*) and the moderating variables. Thus, we used the interaction between the moderator and the original instrument (*weighted peers' choice of the high-control mode*) as an additional instrument (Bollen & Paxton, 1998; Wu & Salomon, 2016). The first-stage regressions included as regressors all of the control variables, the original instrument, and its interaction with the moderator. The second-stage model regressed sales performance against the control variables and the predicted values of mode choice and the interaction between mode choice and the moderator from the first-stage models.

References in the Appendix

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