

Graduate Business School
School of Economics and Commercial Law
Göteborg University

THE INTERNATIONALIZATION PROCESS OF E-COMMERCE COMPANIES

**A CASE STUDY ON BOKUS, BOXMAN,
DRESSMART & LETSBUYIT**

Marcus Ekström and Christine Persson

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ABSTRACT

This thesis was initiated because of the new and fast growing environment that attracts more and more companies to do business electronically – the Internet. The question that was raised was how e-commerce companies are internationalizing into new countries, and why they go about in a certain way. Using the Uppsala-model and its operationalizations as a theoretical framework, four case studies were conducted. The companies studied were Bokus, Boxman, Dressmart, and LetsBuyIt.

In the study it was concluded that the Uppsala-model and its operationalizations could not alone describe and explain the internationalization process of the case companies. These companies seem to operate in a hyped environment and three factors, capital, external knowledge, and homogenization influencing them to behave in another manner than suggested by the Uppsala researchers, were found.

The main findings were that the companies moved very quickly from country to country, and that they took rather radical and direct first initiatives when entering foreign markets. The study also showed that the case companies internationalized to countries with increasingly higher rates of psychic distance. Other more rational factors such as Internet penetration and market potential also influenced the choice of countries entered.

Keywords: Internet, e-commerce, internationalization process, Uppsala-model, establishment chain, psychic distance, Bokus, Boxman, Dressmart, and LetsBuyIt

FOREWORD

The concept of "the new economy", launched by the sociologist

Manuel Castells, is the object of almost daily debates in the media: is

there really something radically new or is it the same old economy dressed in slightly different clothes?

Regardless of what the answer will be on macro level, there is no doubt that the introduction of IT and recently the Internet has drastically changed the environment for the individual company. Hence, new ways of doing business have been, and will be, invented. This is clearly mirrored in this thesis on the internationalization processes of the four leading Swedish e-commerce companies. The phenomenon of internationalization has long been a topic of great interest and relevance to those interested in the field of management - both researchers and students as well as practitioners. The results of this thesis make it clear, we will all have to re-think what we thought we knew.

GRI, 00-01-07
Jan-Erik Vahlne

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During the past months we have had the opportunity to investigate an extremely interesting and yet fairly unexplored topic – the internationalization process of e-commerce companies. Along the way we have met several knowledgeable and helpful persons to whom we are of course very grateful.

We would here like to express our gratitude to our interviewees Jerker Nilsson at Bokus, Anders Karlberg at Boxman, Annika Järund and Martin Geber at Dressmart, and Michael Freudenthal at LetsBuyIt - you made this thesis possible by letting us come under the surface of your companies.

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The Authors
Gothenburg in December 1999

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APPENDIX 1 The Research Process

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1. INTRODUCTION

This introductory chapter aims at giving the reader an understanding of the problem area and the specific problems that the authors have chosen to investigate more thoroughly. Delimitations and the structure of the thesis will be presented at the end of the chapter.

1.1 Background

The international dimension has always been of importance to Swedish companies. Several Swedish firms have carried out international business since the turn of this century. This thesis will touch a new type of companies internationalizing their businesses – namely e-commerce companies.¹

We are now moving from an industrial economy, in which Swedish companies have competed for the last century, towards a different, “new economy”. Just as railways and roads were the infrastructure in the industrial economy, the information highways make up the infrastructure in the “new economy” (Educom Review, 1995).

We think that the Internet² is one of the most obvious attributes visualizing this “new economy”, but also a fast growing channel for selling and purchasing products. The Internet, especially through its ability to enable electronic commerce, is said to be the driving force behind a paradigm shift in business life (Weber et al, 1999; Graunke, 1997) and “the foundation for a new industrial order” (Hamel according to Mitchell, 1999, p. 25). Likewise will it “rewrite the rules of entire industries” (Malcolm, 1997, p.

¹ We consider an e-commerce company to be internationalized when the company has opened up a local web site or a locally adapted section on the original web site or has any form of operations in the host country.

² For a more thorough description of the Internet and electronic commerce see Appendix 2.

31). Concerning business-to-consumer, the amount of money spent by online shoppers on European web sites is expected to approach \$ 5 billion by the year 2002 (Winram and Steib, 1999) Obviously, companies competing on the Internet are said to meet a new set of rules and conditions. The Internet is also said to blur the boundaries between markets.

“Imagine a large body of land with several unconnected lakes. Think of these as markets and the species living in each lake as competitors. Over time these individual ecosystems have evolved without outside contact, and certain species have emerged as leaders in each lake. Now imagine what would happen if a canal was built connecting each and every lake, enabling creatures to swim freely. The Internet is an electronic version of the canal.”
(Gurley, 1999, p. 168)

Different kinds of literature often suggest that a firm that starts using the Internet becomes a global actor over night. Is this true? Our curiosity for the phenomenon Internet came very early in the process of this thesis. Having read literature for a couple of months, our interest for the companies starting up in this new business environment became genuine. Lately the focus in press and media has shifted from how and where these companies start up, to how they expand to new countries and markets. We see it as those companies now step into a second phase, where concentration is put on internationalization. As we wanted our thesis to cover a topic of immediate interest, we saw a perfect opportunity to dig into an area yet fairly unexplored.

1.2 Problem Analysis

Throughout history society has been influenced by progress in technology. Due to improvements in technology we went from an agricultural age to an industrial one. Now we hear that the whole society is changing again, and that a “new economy” is here (Birgersson and Dahlbom, 1999). This “new

economy” has many different names and is referred to as “the network economy” (Ahlvarsson, 1999; Shapiro and Varian, 1999, Kelly, 1998), “the digital economy” (Bishop, 1998; Downes and Mui, 1998; Tapscott, 1996), “the information economy” (Shapiro and Varian, 1999), or “the eEconomy” (Melnicoff, 1999) etc.

Which are then the driving forces that are said to change the conditions for business and society in the “new economy”? Several authors discuss those matters in books and articles (Jedbratt, 1999; Blomgren and Kuikka, 1998; Cairncross, 1998; Downes and Mui, 1998; Tapscott, 1996). Each author describes those forces from their own perspective. As we see it their opinions can be summarized in three concluding forces as suggested by Downes and Mui (1998); deregulation, digitization, and globalization.

An open market economy builds on competitiveness on similar conditions. This is a type of economy that more and more countries want to obtain, and deregulation is an obvious step in that direction. One typical example is the telecom industry, which has been deregulated in several countries. Deregulation is one important factor driving the usage of the Internet.

With digitization it is meant that we step into a world where information, given the value one or zero, can travel in bits instead of atoms. The digitization in the society is the most obvious evidence of technology progress of today. Technologies, which are developed and spread, influence and change competition. Internet is the closest environment we have today to “the digital world”. It is the place where new technologies and business models are being introduced, tested, and observed.

Globalization both drives and is driven by the new technology that enables global action. At the same time as globalization is driving the extension of technology, as the need for global interaction and communication grows, technology facilitates global business. The world can be thought of as one big marketplace, where the importance of national borders for economic

activities has decreased. Internet is a product of technology now influencing globalization and homogenization of markets.

Articles and books in this immature area often describe the Internet as the channel that makes the company a global actor. You often see and hear the almost general understanding that as soon as a firm opens a web site for electronic commerce (e-commerce) it is doing business globally. It would be interesting to know if it is that easy though, i.e. that a company automatically reaches a global market when entering the Internet. Therefore we would like to investigate how Swedish e-commerce companies³ are acting and thinking when internationalizing their businesses.

When scanning the theory on the internationalization of firms, one notices that there has been widespread theoretical as well as empirical research made. The traditional view of internationalization theory has its roots in neo-classical economics and sees strategic behavior as a consequence of a rational plan (Melin, 1992; Forsgren, 1989). This perspective presupposes that managers behave rationally and that the environmental changes can be predicted and foreseen. The opposite perspective on strategy, often referred to as emerging or evolutionary, sees strategic behavior as a pattern in a stream of activities (Mintzberg, 1994). This means that strategy rather evolves as a process than is being rationally planned from the beginning (Forsgren, 1989).

The “Uppsala-model of internationalization”, created by Johanson and Vahlne (1977) is one out of few research attempts with preferences for the evolutionary perspective when describing the internationalization process of firms. The model has its theoretical base in the behavioral theory of the

³ Our definition: Companies only acting on the Internet that are founded in Sweden, exclusively selling consumer products.

firm and seeks its explanation through behavioral actions. (Hadjikhani, 1997; Johanson and Vahlne, 1977; 1990; Forsgren, 1989)

Johanson and Vahlne (1977) modeled the internationalization of the firm as a process in which the firm incrementally increases its commitment to foreign markets and learns about them and their opportunities. Through this cumulative process the firm gains knowledge, relations and other resources, which makes it possible to take further steps abroad. “Through actions preferences may be discovered and uncovered, and it is this which give the internationalization process its “unplanned character”” (Forsgren, 1989, p. 7).

The Uppsala-model was developed by Johanson and Vahlne on the basis of empirical findings made by Hörnell et al (1973) and Johanson and Wiedersheim-Paul (1975). Nordström (1991) refers to them as the “Uppsala-researchers”. These empirical findings describe two “patterns”, a company’s development within a specific country but also its development across countries. Those two “patterns” can be seen as operationalizations or outer manifestations of the Uppsala-model (Johanson and Vahlne, 1990). The Uppsala-model was created in order to explain the way that firms act when expanding in one or more countries, i.e. to explain the two operationalizations.

In this thesis we will use the findings of the Uppsala researchers as a theoretical framework for investigating our problem. This because we are skeptical of viewing strategic actions as something that can *only* be rationally planned and explained in rational terms. In addition, the theory seems to benefit from a general acceptance in literature. It has been used, tested, and criticized by researchers all over the world (Korhonen, 1999; Vahlne et al, 1999; Andersen, 1993; Nordström, 1991;). In contrast to rational theories, which are static in their nature, the Uppsala-model describes the process in which the firm develops its business within a

country, but also across countries. The Uppsala theory will further be put in its context in the beginning of chapter 2.

The Uppsala-model and its operationalizations were created and empirically tested in the industrial age, with mainly manufacturing firms in the business-to-business sector as an empirical base. We know a great deal about how these companies started to internationalize their businesses at the turn of the century, and also how it has developed later. The companies that we intend to investigate are retailers acting in the business-to-consumer sector on the Internet. In other words do the contexts differ. The society and the way of doing business are under transformation and the distance between domestic and foreign markets is said to be decreasing. Would that not effect the way of internationalizing a firm? Can the Uppsala-model and its operationalizations be used for describing the internationalization process of e-commerce companies?

As far as we know there have not been any studies made concerning e-commerce companies and their internationalization processes. Therefore we think it is interesting to raise the question:

How do e-commerce companies act when internationalizing into new countries, and why do they go about it in a certain way?

1.3 Purpose

The first purpose of this thesis is to describe how Swedish e-commerce companies internationalize to new markets. We also intend to explain why they are internationalizing in a certain way.

Our third aim is to investigate if the Uppsala-model and its operationalizations can describe and explain the internationalization process of e-commerce companies.

The last purpose of the thesis is to highlight what critical issues have to be taken into consideration when internationalizing an e-commerce company.

1.4 Delimitations

One usually talks about electronic commerce from three perspectives: customer-to-business interactions, intra-business interactions, and business-to-business interactions (Kalakota and Whinston, 1997). In this thesis we will focus on the former, customer-to-business interactions.

We have also delimited our thesis by only investigating e-commerce companies founded in Sweden that are selling consumer products over the Internet.

We would like to make the reader aware that the purpose of this thesis is neither to give the investigated companies advice on how an internationalization process should be done, nor to criticize the choice of internationalization strategy the case companies have made.

1.5 Disposition of the Thesis

The problem of this thesis is looked upon both from a theoretical and an empirical perspective. We hope that those views together can contribute to a better understanding of the problem area.

The first chapter aims to give the reader an understanding of the problem highlighted, and the purposes the authors wish to fulfill. In chapter two we present our theoretical framework, i.e. the Uppsala-model and its operationalizations. In chapter three the case companies are presented. The fourth chapter gives the reader the results and analysis of our empirical findings, followed by our conclusions in chapter five.

In appendix 1 we present the research process we have used for fulfilling our purposes. In appendix 2 the Internet and electronic commerce are more closely presented to the reader not so familiar with the phenomena and their characteristics. In the third and last appendix the interview guide is to be found.

2. THE INTERNATIONALIZATION PROCESS OF A FIRM

In this part of the paper we aim to describe and discuss the theoretical framework that we are using for investigating and analyzing the results from the empirical studies. Finally critique of the theory will be presented.

2.1 Internationalization

Internationalization can be described as “the process of increasing involvement in international operations” (Welch and Luostarinen, 1988, p. 36). Another definition suggested by Calof and Beamish (1995, p. 116) is “the process of adapting firms’ operations (strategy, structure, resources, etc) to international environments.” The degree of internationalization can, in its simplest form, be measured as foreign sales relative to total sales (Welch and Luostarinen, 1988). Kutschker and Baurle (1997) give a more holistic explanation and look at the degree of internationalization with help from three dimensions. These are the number and geographic distance of the foreign markets entered, the amount of activities that are carried out in the different markets, e.g. sales, distribution, organization, production etc, and the degree of integration of these activities.

Welch and Luostarinen (1988) raise the question of what is driving the internationalization process, leading companies to sometimes widespread multinational investments. Firms are said to undertake internationalization for various reasons (Lam and White, 1999). Some companies internationalize due to the fact that their competitors or customers have been globalized (Ohmae, 1990), while others internationalize their business because multinationalism is a symbol of success and progress (Perlmutter, 1995; according to Lam and White, 1999). It has also been proven that increased internationalization results in improved profitability (Gerlinger, Beamish, and daCosta, 1989).

2.2 Putting the Uppsala-model of Internationalization into Perspective

As mentioned already in the introduction, there has been widespread theoretical as well as empirical research made in the area of internationalization. The traditional perspective emphasizes rationality (Rugman and Erminio, 1996; Anderson and Gatignon, 1986; Dunning, 1980; 1988) and has its roots in neo-classical theories. The neo-classical perspective presupposes that managers behave rationally and base their decisions on economic efficiency (Vahlne et al, 1999; Forsgren, 1989). The costs for internationalizing are compared to the costs for only operating domestically, and the firm will choose the least costly location for each activity it performs (Buckley, 1988). This perspective has advocates in more general strategy research such as Porter (1980) and Ansoff (1965). The traditional perspective on internationalization proposes that the outcome of an action is the result of a plan (Forsgren, 1989).

Both the eclectic paradigm (Dunning, 1980; 1988) and the transaction cost theory (Rugman and Erminio, 1996; Anderson and Gatignon, 1986) take their spring-point in neo-classical theory and use rational explanatory variables when explaining the internationalization of firms (Melin, 1992).

The eclectic theory tries to give a complete explanation of the internationalization of a firm. The complexity of the theory seems to be both honored and criticized in the literature (Andersen, 1997). The eclectic theory (Dunning, 1980; 1988) presents several factors that influence a firm's choice of entry mode, e.g. transaction costs, the attractiveness of a specific country, market potential, investment risk, the country culture, market infrastructures, and the possibility to lower production costs.

The transaction cost theory focuses on only one explanatory factor; transaction costs (Rugman and Erminio, 1996; Anderson and Gatignon, 1986). The transaction cost theory, just as the eclectic paradigm, supposes

that the decision-maker behaves rationally, meaning that the main goal when taking internationalization decisions is to minimize risk and costs. A company becomes an international enterprise when it makes good economic sense to expand the business to foreign countries (Andersen, 1997).

In contrast to the traditional perspective Johanson and Vahlne, who created the Uppsala-model, view internationalization from a learning and evolutionary perspective (Hadjikhani, 1997; Fina and Rugman, 1996; Forsgren, 1989; Johanson and Vahlne, 1977). In opposition to the traditional perspective, which as mentioned has its roots in neo-classical theory, the Uppsala-model has its theoretical base in the behavioral theory of the firm and is seeking its explanation through behavioral actions (Hadjikhani, 1997; Johanson and Vahlne, 1977; 1990). Another fundamental difference is that the Uppsala-model describes the internationalization of firms as a process, whereas the rational perspective is of a more static nature (Andersen, 1997). The internationalization process is typically incremental and emergent because of the acquired knowledge that the firm gathers as it enters new countries. This leads to firms having to adapt slowly before engaging in more international activities (Lam and White, 1999). When it comes to more general strategy theory this perspective is often referred to as emerging or evolutionary (Mintzberg, 1994).

The Uppsala-model assumes a cycle of experiential learning and commitments leading to an incrementally evolving international development of the firm. "...the model expects that the internationalization process, once it has started, will tend to proceed regardless of whether strategic decisions in that direction are made or not." (Johanson and Vahlne, 1990, p. 85)

2.3 The Uppsala-model of Internationalization and its Operationalizations

The Uppsala-model was, as mentioned in chapter 1, developed by Johanson and Vahlne on basis of empirical findings made by Hörnell et al (1973) and Johanson and Wiedersheim-Paul (1975). These empirical findings from 1975 and 1973 respectively *describe* two patterns (in the Uppsala-model called operationalizations); (1.) a company's development within a specific country, and (2.) its development across countries.

The Uppsala-model was created in 1977 in order to *explain* the two patterns mentioned above, i.e. the way that firms behave when entering one or more countries, using knowledge as an explanatory factor (Johanson and Vahlne, 1990). Those patterns can be seen as operationalizations of the model, and those operationalizations *describe* the way firms enter one or many countries. In other words does the Uppsala-model *explain* the sequential way of internationalizing a firms business; “our aim is really to contribute to an understanding of the incremental nature of the internationalisation process.” (Johanson and Vahlne, 1990, p. 90).

Below we will start out by describing the two operationalizations, followed by a description of the Uppsala-model. In connection with this, the interaction between the Uppsala-model and its operationalizations is presented in 2.4.

2.3.1 Development within a specific country

1. no regular export activities
2. export via independent representatives (agent)
3. sales subsidiary and
4. production/manufacturing

Figure 2.1: Development within a specific country – The establishment chain

Source: Johanson and Wiedersheim-Paul (1975)

The thoughts of describing the internationalization process of a firm within a country as a sequential process, were first suggested by Aharoni (1966; according to Kutschker and Bäurle, 1997; Andersen, 1993; Forsgren, 1989). They were later expounded by Johanson and Wiedersheim-Paul (1975), but also by several others e.g. Bilkey and Tesar (1977), Cavusgil (1980), Czinkota (1982), Loustarinen (1970), and Reid (1981) (according to Korhonen, 1999; Lam and White, 1999; Andersen, 1993; Johanson and Vahlne, 1977). The theories describing the establishment within a country as a chain of events are often referred to as “stage theories”.

Johanson and Wiedersheim-Paul’s study from 1975 was made on four Swedish manufacturing firms, Sandvik, Atlas Copco, Facit, and Volvo, and it was hypothesized, and also shown throughout the article that Swedish firms entered and developed their businesses within a new market gradually. Four different steps when entering an international market were distinguished, and the successive stages represented higher degrees of international involvement. This sequence of stages, shown in figure 2.1, is known as “the establishment chain”.

The authors do not expect the development to always follow the whole chain, but a gradual process of internationalization is claimed to be the

most typical (Johanson and Wiedersheim-Paul, 1975). They say that they have exaggerated the simplification of the steps in the establishment chain, and also that it would be possible to identify both different types of steps and different number of stages. What they are after is to explain that they expect the development of operations in individual countries to have an evolutionary, stepwise character.

Johanson and Vahlne started to discuss two exceptions in 1977, describing situations when firms tended not to behave according to the establishment chain. Later on, in 1990, they added a third exception.

1. Firms that have large resources can be expected to take larger steps.
2. When market conditions are stable and homogeneous, the market knowledge can be gained in ways other than through experience.
3. If the firm has considerable experience from markets similar to the one that the firm wants to enter, it may be possible to generalize this to the specific market.

2.3.2 Development across countries

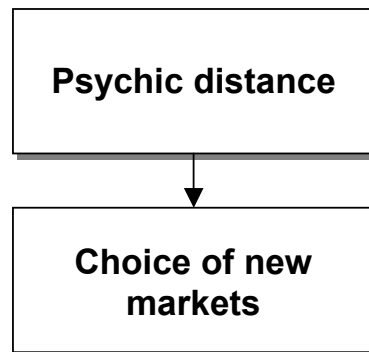


Figure 2.2: Development across countries – Psychic distance
Source: Andersen (1993)

When it came to internationalization across different countries, it was hypothesized in Hörnell et al's (1973) study that firms would enter new markets with successively greater psychic distance. The psychic distance⁴ was defined in terms of factors disturbing the flow of information between the firm and the market, including factors such as differences in language, culture, political systems, level of education, or level of industrial development (Johanson and Vahlne, 1977; 1990). Firms were supposed to start their internationalization by going to markets they could easily understand and where perceived market uncertainty was low (Johanson and Vahlne, 1990). The concept of psychic distance in this context was originally used in a study made by Wiedersheim-Paul 1972 (Johanson and Wiedersheim-Paul, 1975). From the results from their study, Hörnell et al made a ranking list of countries according to their psychic distance from Sweden (Hörnell et al, 1973). In 1991 Nordström presented a new study. Both studies showed that, from a Swedish perspective, the other Nordic countries⁵, i.e. Norway, Denmark and Finland had the lowest psychic distance, followed by the Western European countries as well as the United States and Canada. The Mediterranean countries were to be found last. The ranking lists are shown in their entirety in figure 2.3.

⁴ Within psychology psychic distance is used to describe the individual's relationship to other individuals. The individual's perception is based on both emotional and cognitive factors about what is different, and it takes time to feel allied to an other person (Olofsson, personal communication).

⁵ Throughout this thesis the Nordic countries will be referred to as Denmark, Norway, Finland, and Sweden, i.e. we exclude Iceland as none of the case companies have expanded to this country. Iceland is also not to be found in either of the psychic distance lists.

The study made by Hörnell et al, 1973	The study made by Nordström, 1991	
<ol style="list-style-type: none"> 1. Denmark 2. Norway 3. Finland 4. West Germany 5. Great Britain 6. Netherlands 7. Belgium 8. United States 9. Switzerland 10. Canada 11. Austria 12. France 13. Italy 14. Spain 15. Portugal 	<ol style="list-style-type: none"> 1. Norway 2. Denmark 3. Finland 4. Great Britain 5. West Germany 6. Switzerland 7. Netherlands 8. Austria 9. United States 10. Canada 11. Belgium 12. France 13. Spain 14. Australia 15. Italy 	<ol style="list-style-type: none"> 16. Portugal 17. Japan 18. Turkey 19. Brazil 20. Mexico 21. Argentina 22. Chile

Figure 2.3: Psychic distance from Sweden to 15 and 22 foreign countries respectively
 Source: Hörnell et al (1973) and Nordström (1991)

Johanson and Wiedersheim-Paul (1975) said that psychic distance correlated with geographical distance. Exceptions though were easy to find. Some countries are far apart geographically, e.g. Great Britain and Australia, but the differences in psychic distance are relatively small. On the other hand USA and Cuba are near to each other geographically, but far apart with regards to psychic distance.

Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) say that psychic distance is not constant, it could change due to development of trade, communication systems etc. Changes are expected to take place rather slowly, though. This reasoning seems to be true with regard to Nordström's study from 1991. Johanson and Wiedersheim-Paul (1975) say themselves that when it comes to development across countries, psychic distance is not the only important factor for international operations. The size of the potential market is considered the most

important factor for international operations in many textbooks about international business.

2.3.3 The Uppsala-model

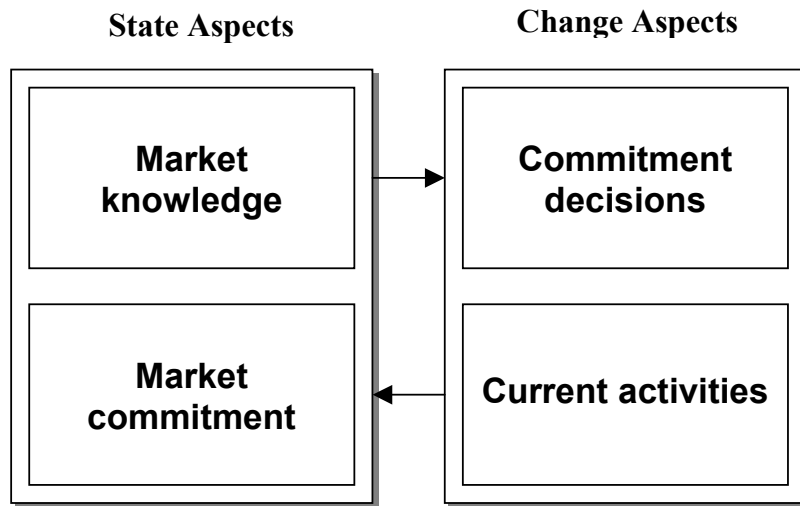


Figure 2.4: The Uppsala-model
Source: Johanson and Vahlne (1977)

Johanson and Vahlne created the Uppsala-model in 1977 and the aim was, as mentioned, to explain the incremental character of the internationalization process of a firm, both within a specific country and across countries, as described above in 2.3.1 and 2.3.2. The model is dynamic as it explains how the outcome of one cycle of events constitutes the input to the next.

The main structure of the Uppsala-model is given by the distinction between state and change aspects of internationalization variables. The change aspects are decisions to commit resources and performance of current business activities. The state aspects are the market commitment and knowledge about foreign markets and operations.

The basic idea concerning the model is that market knowledge and market commitment affect both commitment decisions and the way current decisions are performed. These, in turn, change market knowledge and commitment. “When something changes, it is caused by the company having learned something new, and vice versa” (Vahlne, personal communication).

We would like to explain this behavior with a simple example: When company ABC operates in country Utopia it is undertaking current activities and has committed resources to the market. Through these activities the company gains experience and knowledge about the market Utopia. With this new knowledge ABC feels more confident and prepared to take further commitment decisions to Utopia. Through this new commitment to the market ABC gains further knowledge and the process continuous.

Vahlne (personal communication) also claims that companies have too little knowledge about the present, and above all about the future. This makes it very hard to plan and carry out a perfect internationalization. The Uppsala-model emphasizes experiential learning, which gives it its evolutionary character. The experiential learning is also an important reason why the internationalization process often proceeds slowly. In the Uppsala-model, it is undertaken that (1.) a firm strives to increase its long-term profit and (2.) to keep risk taking at a low level. These two strivings are presumed to characterize decision-making (Johanson and Vahlne, 1977).

The four different boxes within model 2.4 will be discussed in more detail in the following sections.

2.3.3.1 *State Aspects*

Market Commitment

The market commitment concept is according to Johanson and Vahlne (1977) composed of two factors – the amount of resources committed and the degree of commitment. The first factor, resources committed, could be described as the size of investment in the market, including investment in marketing, organization, personnel, and other areas. The other factor, the degree of commitment, is not that easy to grasp, but could be explained as the difficulty of finding an alternative use for the resources and transferring them to this other alternative. The more specialized the resources are to the specific market, the greater the degree of commitment.

Market Knowledge

Objective knowledge can be taught, but experiential knowledge can only be gained through personal experience. Johanson and Vahlne (1977) believe that experiential knowledge is the critical kind of knowledge when it comes to internationalization initiatives. It is crucial because it can not be acquired as easily as objective knowledge. When a company is operating in the domestic market, it can rely on lifelong basic experiences, but in foreign operations the firm has no such basic experiential knowledge to start with. It must be gained successively during the operations in the country. Experiential knowledge creates “a feeling about how they [the company] fit into the present and future activities”. (Johanson and Vahlne, 1977, p. 28)

One can also distinguish between general and market-specific knowledge. International activities require both kinds of knowledge. Market-specific knowledge, i.e. knowledge about characteristics of the specific market, its business climate and cultural patterns, is said to be gained mainly through experience in a market. It is further assumed that there is a direct relation between market knowledge and market commitment. The better knowledge

about the market, the more valuable the resources and the stronger the commitment to the market.

2.3.3.2 Change Aspects

Current Business Activities

Current business activities are the prime source of experience, and the activities that people within the firm face when working on the boundary between the firm and its market. Here one can distinguish between firm experience and market experience. Both of them are essential. It may be possible to hire or consult external people with market experience, but it is often hard to find the right knowledge or experience – a reason why the internationalization process often proceeds slowly. If that is the case, experience has to be acquired through a long learning process in connection with current activities, which leads to further market specific knowledge.

Commitment Decisions

The second change aspect is decisions to commit resources to new foreign market operations. It is assumed that these decisions are made in response to perceived risk and/or opportunities in the market and therefore the commitment decisions will depend on experience. Concerning risk, the company is willing to take further commitment decisions when the risk that is taken for the moment is lower than the maximum tolerable risk that the company can afford. Firm, as well as market experience, is relevant. The experiences will be related to, and collected from, the operations currently performed in the domestic and foreign markets.

2.4 The Uppsala-model and its Operationalizations in Interaction

Below we have presented the Uppsala-model and its operationalizations in one model inspired by Andersen (1993), who has made a thorough analysis of the Uppsala-research.

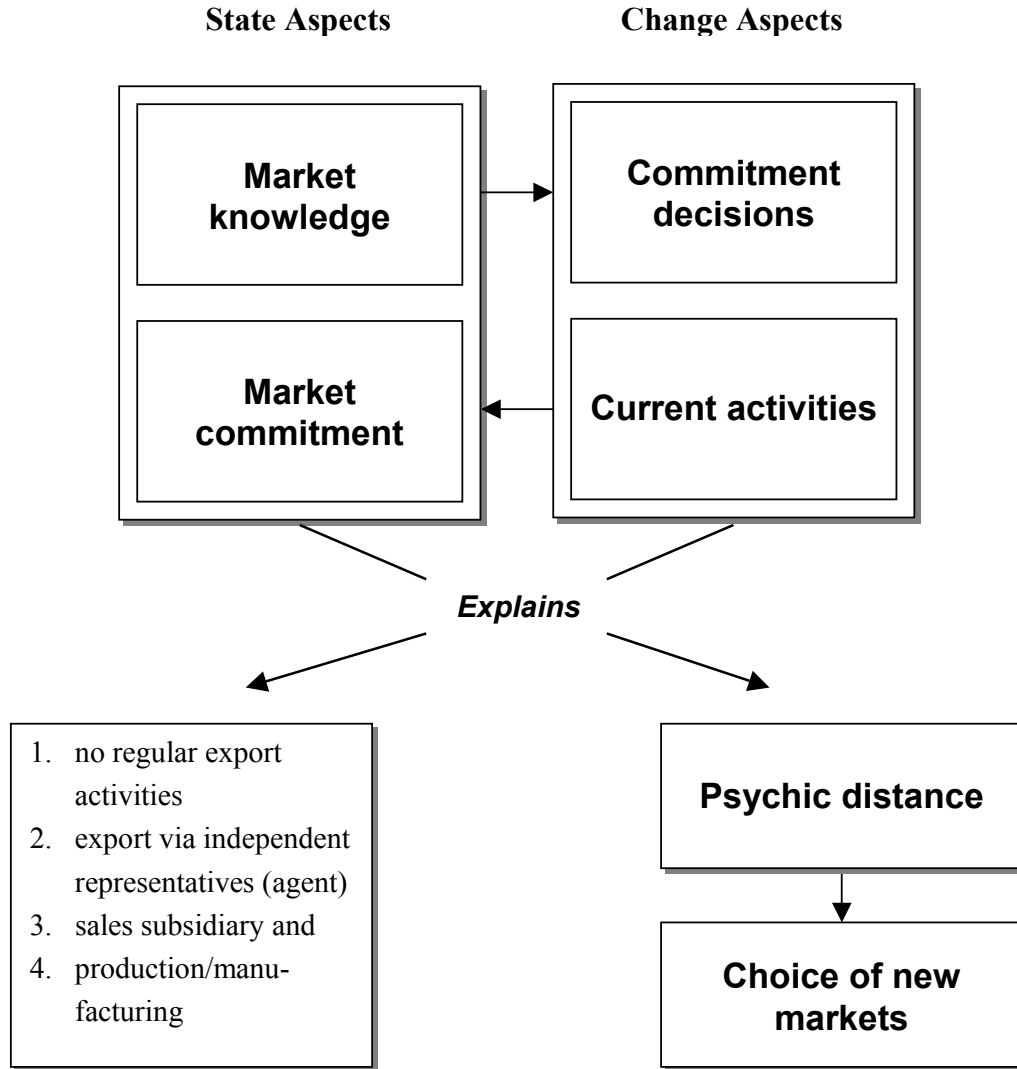


Figure 2.4: The interaction between the Uppsala-model and its operationalizations
 Source: Own model inspired by Andersen (1993)

The Uppsala-model aims at explaining the two operationalizations with help from the explanatory factor knowledge.

When firms enter a specific country the Uppsala-model suggests that it is done gradually as in the establishment chain. See 2.3.1. Those gradual steps are a consequence of the fact that the company gains knowledge and learns from experience in the market. When a company decides to internationalize to foreign countries it chooses to enter a country with a low rate of psychic distance, described in 2.3.2, in order to minimize uncertainty and risk. Due to the psychic distance and not enough knowledge about the new market, the company tends to start with a rather small initial step. Through this first step the company gains new knowledge and prepares itself to take a second step, in other words the company continues to take further steps gradually.

The more the company learns from internationalizing and entering new markets, the more the uncertainty decreases and the company feels more secure to enter a country with a slightly higher rate of psychic distance. Just as when the company entered the previous country it now has to gain knowledge about this new market by taking small steps. Johanson and Vahlne (1977) suggest that this is a continuously ongoing process. We have tried to visualize this process in figure 2.5.

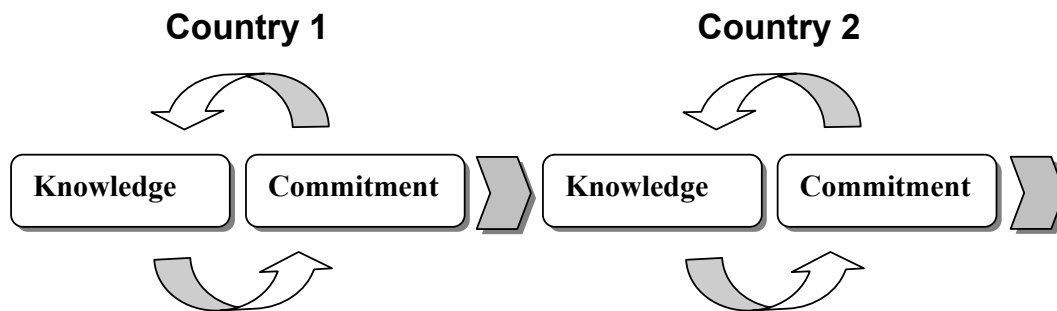


Figure 2.5: The internationalization process within and across countries

Source: Own model

2.5 Critics of the Uppsala-model and its Operationalizations

Most of the critique directed towards the Uppsala-model and its two operationalizations concerns their explanatory value. Different researchers (Nordström, 1991; Forsgren, 1989; Hedlund and Kverneland, 1984) have questioned the Uppsala-model's ability to explain the internationalization process. They all mean that further explanatory variables are needed in order to more fully understand today's internationalization processes. The critique has been supported by the fact that firms have leap-frogged stages in the establishment chain and entered markets distant in terms of psychic distance at an early stage.

Nordström's (1991) study showed that the average of the Swedish companies that were studied entered West Germany, England and the U.S. before neighboring countries like Denmark, Finland, and Norway. One reason for this, according to Nordström, could be that the pace of the internationalization process generally seems to have speeded up.

Nordström discusses three major tendencies that he thinks are undermining the assumptions of the Uppsala research, and with that limit its explanatory power.

First he, on the basis of several other authors, e.g. Porter (1980) and Levitt (1983), says that the world generally has moved towards homogenization over time. Levitt argues that technology is the underlying force that is driving the world towards one convergent unit. Nordström states that it is hard to separate cause and effect in discussions about these forces, as political, technological, economic, and psychosocial forces are at work in complex interaction. It is evident, he means, that the formation of common markets in e.g. Europe, the EU, and trade agreements, e.g. GATT, with the ambition to deregulate world trade, have contributed to the process of homogenization. Homogenization is said to lower psychic distance between

countries, and the uncertainty that the companies feel when entering foreign countries decreases.

Second, companies also have quicker and easier access to knowledge about performing international business. He explains that universities, business schools and management training centers all over the world emphasizes international business more and more. The number of people with experience from abroad has increased, which makes it easier to hire people with knowledge and experience rather than developing it in-house. Also international and local consulting firms offer information and knowledge about competitors, market potential, distribution systems, local buying standards, possible entry modes, etc. The development of information technologies has made it easier for a company to get to know foreign markets.

A third force driving the world towards a global entity is the increasing number of companies that manage a few or several of their activities as if the world was homogeneous and borderless.

Vahlne et al (1999, p. 9) write themselves: “In a dynamic interplay between environmental change and company action, the world has become increasingly turbulent. Globalization, liberalization and technological change are frequently mentioned as forces allowing or forcing companies to change or develop their strategies”, a statement that might indicate that they agree to some extent. In our discussions with Vahlne (personal communication), he is saying that the world has changed and refers to the higher degree of globalization and technological improvements.

Hedlund and Kverneland (1984) made a study about Swedish firms entering Japan and these authors claim that the companies in question seemed to have entered this market without following the steps described in the Uppsala-model. About half of the 18 firms investigated were entering

Japan omitting the intermediate step of a sales subsidiary. The authors explain this result by saying:

“The explanation for the different result thus has to be found in changes in the environment and within the companies which have taken place in the time period covered by the two studies. The Johanson and Vahlne study looked at market growth strategies from the first stage of internationalization of the companies up to around 1970. Our study looks at market growth strategies in the 1970’s.” (Hedlund and Kverneland, 1984, p. 70)

Another study that suggest that firms do not enter a country according to the traditional establishment chain has been made by Lindqvist (1988), investigating small technology based firms. It was showed that the firms’ internationalization strategies did not strictly follow the traditional way of expanding into new countries. It was mainly explained by the fact that the firms were relatively small. The study made by Lindqvist also indicated that firms determined the sequence of market selection by technological factors, they were selling high-technology products, rather than by the traditional concept of psychic distance.

The Uppsala-model has been criticized for being too deterministic and general (Reid, 1981). Johanson and Vahlne (1990) say that this critique is mainly directed at the establishment chain, and should not primarily be an argument against the Uppsala-model. Andersen (1993) on the other hand, does not agree that the Uppsala-model should be too general. He claims that the Uppsala-model is unbounded both in time and space and can therefore be expected to have a high level of generalizability. “This generalizability requires a higher level of abstraction, which means that the level of precision is being traded off”. (Andersen, 1993, p. 218)

Andersen (1993), who has made a critical analysis of the Uppsala-model, instead means that no initial conditions are presented, meaning that the model does not explain why or how the process starts. Nevertheless factors

that may influence the process have been taken up for discussion. The author also means that clear linkages between the Uppsala-model and its operationalizations are missing.

3. PRESENTATION OF CASE COMPANIES

In this chapter a general presentation of the companies investigated will be given. All companies are founded in Sweden and are solely devoted to e-commerce.

3.1 Bokus

3.1.1 Company Characteristics

Bokus is a bookstore, marketed under the name bokus.com, selling books over the Internet. Two students, Ernst Malmsten and Kajsa Leander founded the company in May 1997. In March 1998 KF (Kooperativa Förbundet) Media bought 45% of Bokus, and from February 1999 they own 100% of the shares. Today Bokus has approximately 50% of the total Swedish on-line market, which makes it the biggest Internet bookstore in the Nordic countries. The Swedish web site was launched in August 1997. At this time companies acting on the Internet and working exclusively with electronic commerce were very few. Bokus has so far expanded its business to Finland, Denmark, and Norway. Bokus' initial goal was to become the number one Nordic actor selling books over the Internet. The goal today is to be one of the leading book sites in Europe. Bokus do not say that they are going to be *the* leading book site in Europe or that they should be represented in every European country.

The Swedish on-line book market is worth SEK 250 million and Bokus total sales will reach about SEK 110-120 million in 1999. Still the company will lose about SEK 40-50 million. Bokus has a customer database containing approximately 200,000 persons. The original target group was academic students, but now professional customers, e.g. companies and libraries, and the overall public are included. The division today is 25% students, 35% professionals, and 40% private persons.

3.1.2 Products

Bokus sells books and has approximately 1.6 million titles for sale. Out of these, 50 percent are American or English books, and the other half is divided between Swedish, Finnish, Danish, and Norwegian literature.

3.1.3 Organization

Bokus has a rather centralized organizational structure with a head office in Lund where functions such as overall marketing and strategic issues, purchase, customer support, web site related issues, and finance and economy, are taken care of. Only one person, a local marketing director, is running the business in each of the other Nordic countries focusing on local marketing actions. 26 out of 36 persons are working at the head-office, six persons are placed in London purchasing the American and English literature, and one person is as mentioned placed as marketing director in each country. Approximately 100 persons are involved in Bokus-related issues. The company uses one central domain address, www.bokus.com, in every country.

3.1.4 Logistics

Bokus is outsourcing logistics and warehousing. The orders placed by the customers over the Internet, are passed on to a great number of suppliers with whom Bokus has agreements. The products are then sent to a cross-docking centre in Malmö, where they are sorted and repacked. Thereafter an invoice and delivery note are added and they are distributed to the customer.

3.1.5 Marketing and PR

Bokus is focusing its marketing actions towards 12 different segments, consisting of the four different countries and three different customer

groups; academic students, professionals, and the overall public. Depending on which segment Bokus is approaching, it uses different marketing techniques. In its present markets, Bokus is mainly using offline marketing (traditional mediums), but to some extent also online marketing (on the Internet). The marketing director in each country is responsible for choice of media concerning the local marketing actions. The head-marketing director placed in Lund is responsible for the brand, the logotype, and the overall marketing strategy.

3.1.6 Foreign countries entered by Bokus

Date	Country
20 th of August 1998	Finland
4 th of December 1998	Denmark
15 th of August 1999	Norway

Table 3.1: Foreign countries entered by Bokus

3.2 Boxman

3.2.1 Company Characteristics

Boxman was founded in August 1997 by Ola Ahlvarsson, Bill Odqvist, Håkan Danberg and Kent Granath. The company is now owned by a number of different investors. The web site was launched in the Swedish market in December the same year and the company started out by selling CDs over the Internet. During its first six months of operations, Boxman quickly gained market acceptance in Sweden, and has today a 4% market share on CDs in Sweden and 90% of all Swedish on-line CD-sales. The company has expanded to Norway, Denmark, Finland, France, the United Kingdom (the UK), Germany, and the Netherlands. Boxman has a global vision saying that the company shall become the market leader on the European market for online sales of home entertainment products.

At the end of the summer Boxman bought the English competitor iMVS.com. At the end of June 1999, Boxman had about 300.000 registered customers. Sales 1998/1999 were SEK 117 million. Boxman has since the company started shown red figures.

3.2.2 Products

Boxman mainly sells CDs. Approximately 94% of Boxman's turnover comes from this product. Videos, DVDs, and leisure software, e.g. computer games have lately been added. Today music CDs are offered in all countries, while videos and DVDs are offered in all countries but Germany and France, and leisure software is offered only in Sweden, Norway, Denmark, Finland, and the UK. Boxman intends to widen its product range in the near future by offering its entire product range to all countries where it is present. Boxman is also evaluating the opportunity for launching new product categories, such as concert tickets, selected books, and home electronics.

3.2.3 Organization

Boxman has a market-driven organization with local presence in each country. Today about 100 employees work at the 12 local offices, two in Sweden and the UK and one in each other country respectively. To have a local presence in all its foreign markets is central in Boxman's expansion strategy. Boxman has established local branches or subsidiaries, which are focused on developing sales in their specific market led by a domestic manager with staff for handling service, marketing, purchasing, and web adaptations. Each local office typically has five to ten employees.

At the end of the summer 1999, just before entering the Netherlands, Boxman merged with iMVS, an e-commerce company placed in the UK. At Boxman's new head-office placed in London, five central functions for support and control of the operations in each of the foreign markets, i.e.

business development and purchasing, marketing, finance, supply chain operations, and IT, are handled. The former head-office was placed in Stockholm.

3.2.4 Logistics

Boxman has outsourced its operations for logistics and distribution; a partner based in the Netherlands takes care of receiving goods, warehousing, packing, and distribution to customers. Before Boxman internationalized its business outside the Nordic countries, this function was based in Borås in Sweden.

3.2.5 Marketing and PR

In its present markets Boxman employs a mix of off-line and on-line marketing. The local offices are responsible for the marketing actions within their own country. The overall marketing strategy and brand management is taken care of at the head-office in London.

Boxman has mainly emphasized PR when entering a new country, trying to get as much attention in the media as possible. They use a PR-model that they call “the stairway to heaven” in order to get attention from their stakeholders and steer customers to the shopping site. Boxman contacts the music industry, the IT business, and local investors to gain credibility for its concept before launching. The main idea with the PR-model is to build trust throughout the whole chain, which should lead to that journalists and media getting a positive picture when they are doing research back in the chain.

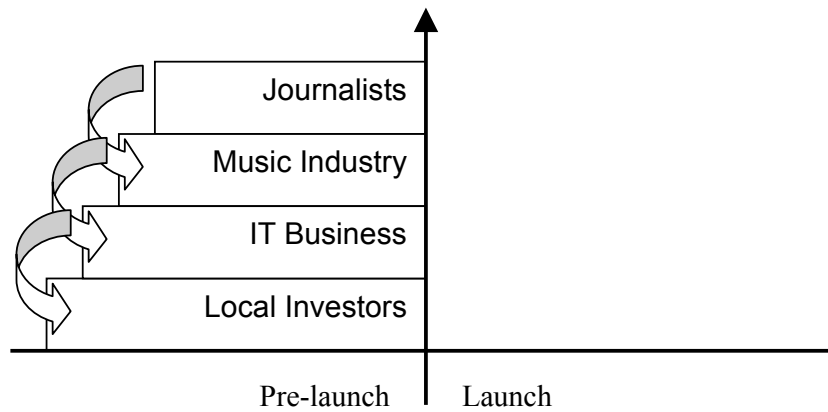


Figure 3.1: Boxman's PR-model
 Source: Karlberg (1999)

3.2.6 Foreign countries entered by Boxman

Date	Country
20 th of August 1998	Norway
27 th of August 1998	Denmark
7 th of September 1998	Finland
10 th of March 1999	France
29 th of March 1999	The UK
8 th of May 1999	Germany
31 st of August 1999	The Netherlands

Table 3.2: Foreign countries entered by Boxman

3.3 Dressmart

3.3.1 Company Characteristics

Dressmart was founded by Mattias Plank and Marcus Larsson in late 1998 and the domestic web site was launched in April 1999. Besides the origin owners, the company is owned and financed by 6:e AP-fonden, and Emerging Technology with venture capitalist Kjell Spångberg. Dressmart sells clothes, shoes and accessories over the Internet, and their primary target group is brand-conscious men, white-collar professionals, between

24 and 45 years with a high disposable income, who feel comfortable with shopping on-line, and are prepared to pay for time-saving services. The company has expanded to Finland, Norway, Denmark, the Netherlands and the UK. Dressmart has the intention to be launched all over the world but still with a local adaptation to every market Dressmart has a vision to become the world's leading Internet retailer for international high-end brands, with an on-line market share of 50% in 2000. Sales figures are said to increase by one hundred percent each month and total sales are predicted to reach SEK 50 million the first year (1999/2000). Since the company started Dressmart has been financed by the investors and plans to be profitable year in three.

3.3.2 Products

Dressmart sells clothes, shoes and accessories, with a focus on shirts, ties, and underwear, and carries more than forty brand names from all over the world. The product range does not vary very much between the Nordic countries, but differs totally between the other countries. The product range is locally adjusted, i.e. the web site in the UK, has a product range chosen to attract the English customers etc.

3.3.3 Organization

Dressmart has a local presence with subsidiaries on each of the local markets. About 20 persons are placed at the head office in Stockholm, where emphasis is put on strategy, business development, purchase and overall marketing issues, and about 20 people run the other five local offices. A country manager, a market manager, and a web master work in each country setting out from the central business model. The product mix and the design of the web site though, are locally adjusted and the focus is on developing sales in their specific market. About 100 people are engaged in Dressmart including the people working with supply and customer service at an external call center.

3.3.4 Logistics

Dressmart calls itself a virtual e-commerce company, and the business concept builds on outsourcing, e.g. receiving goods, re-packing, warehousing, distribution, and also the customer support are outsourced to different partners. The company does not have any inventory of its own, instead every brand supplier receives orders on a daily basis from Dressmart. After that, the agent sends the ordered goods to one of the re-packers in either the Netherlands or Borås in Sweden where the products are re-packed and distributed to the customers. The re-packer in Sweden serves the Nordic countries and the one in the Netherlands serves the rest of the European market. The re-packing companies also add the invoice if the goods have not been paid for with card over the Internet.

3.3.5 Marketing and PR

Dressmart uses a mix of off-line and on-line marketing. The company is reinvesting half of the monthly sales in marketing actions and 90 percent of these resources are put into on-line marketing. When it comes to marketing and PR, Dressmart has used different campaigns when entering a new market. In Sweden the site was launched and tested without any large media-attention and in Denmark a normal press conference was held, whereas in the UK, the press and other people were invited to a large release-party. Also in Norway the English actor John Cleese performed and in Finland Dressmart took part in a large TV-show.

Dressmart refers to PR as the best way of getting attention, but it creates mainly increased mind sharing, whereas marketing actions lead to purchase.

3.3.6 Foreign countries entered by Dressmart

Date	Country
22 nd of August 1999	Finland
28 th of August 1999	Norway
5 th of September 1999	Denmark
22 nd of October 1999	The Netherlands
28 th of October 1999	The UK

Table 3.3: Foreign countries entered by Dressmart

3.4 LetsBuyIt

3.4.1 Company Characteristics

LetsBuyIt is an e-commerce company providing co-shopping (community shopping), meaning that the Internet is used for gathering customers that are interested in the same product and thereby get a lower price from the supplier. Håkan Ramsin and Johan Staël von Holstein founded the company in November 1998. One fourth of LetsBuyIt is owned by the German media company ProSieben, and totally 85 percent of the stocks are owned by foreign investors. The Swedish web site was pre-launched in April 1999 and the official media-launch was made in June the same year. LetsBuyIt has so far expanded its business to Norway, Finland, Denmark, Germany, and the UK, but the aim is to be present in 14 different markets by the summer of year 2000. At the moment LetsBuyIt has 100.000 registered customers and the goal is to become the number one actor on co-shopping in Europe in 1999 and in the USA in 2000. LetsBuyIt so far shows red figures.

3.4.2 Products

LetsBuyIt sells a wide range of products divided under seven different categories, sports and leisure, travels and hotels, home electronics, computers and IT, home and garden, toys, and perfumes and accessories.

The product categories are the same in all countries, but the specific products vary to some extent. LetsBuyIt widens its product range on a daily basis and in the near future three new categories will be added.

3.4.3 Organization

LetsBuyIt is organized as a matrix, with the functions market, purchase and operations on the horizontal level and the different geographical markets, the Nordic countries, Germany and the UK, on the vertical level. LetsBuyIt has a lean organization in the sense that it focuses on only having core competence, e.g. strategic issues, in-house. All other functions are outsourced. The head-office, located in Amsterdam, only focuses on overall strategic questions, such as business development, image creation, finance, supply chain operations, and the overall standard concerning web and IT questions.

LetsBuyIt is growing extremely fast and about 100 people are working at the company for the moment, a number that is expected to double in the summer of 2000. One fourth of the employees work in Sweden, the rest, 75 percent, is placed in the different countries. The number of employees at each subsidiary is dependent on the size of the market. The subsidiaries are all led by a country manager, who is responsible for the main activities carried out in each country, local marketing, purchase, and construction of the web site.

3.4.4 Logistics

LetsBuyIt does not operate any form of logistics. The partners or the suppliers of the goods take care of distribution and warehousing. In order to deliver products to as many as fourteen different countries in the future, LetsBuyIt felt the need to have one strong partner who could take care of the entire logistic problem, from physical packing and distribution to more administrative issues. The partner is based in the Netherlands.

3.4.5 Marketing and PR

In its present markets LetsBuyIt is using a mix of off-line and on-line marketing, but to market the company and its brand in off-line mediums is in almost total focus. The marketing director, who is placed at the head-office, is responsible for the brand and the logotype. He is also in charge of producing TV-commercials and the one who defines the rules under which the local marketing actions are steered. The subsidiaries are responsible for choice of media concerning the marketing actions in, e.g. radio, the Internet, newspapers etc.

3.4.6 Foreign countries entered by LetsBuyIt

Date	Country
25 th of August 1999	Norway
26 th of August 1999	Finland
27 th of August 1999	Denmark
21 st of October 1999	Germany
28 th of October 1999	The UK

Table 3.4: Foreign countries entered by LetsBuyIt

3.5 The Case Companies – A Short Summary

In table 3.5 below some summarizing key data about the case companies can be found.

Key data	Bokus	Boxman	Dressmart	LetsBuyIt
Est. year	1997	1997	1999	1998
Owner	KF Media	Different investors	Different investors	Different investors
Head office	Lund	London	Stockholm	Amsterdam
Products	Books	CDs, DVDs, videos, leisure software	Clothes, shoes, accessories	Co-shopping
No. of foreign	3	7	5	5

countries				
Employees	36	100	40	100

Table 3.5: Key data case companies

In figure 3.2 we illustrate the process from the customer placing the order until he or she receives the product. The aim is to give the reader an understanding of the logic behind the way these case companies run their businesses. The model is generalized, but only minor differences between the companies' procedures can be found.

The customer orders the product on the web site. The company forwards the order to the supplier. The supplier sends the product to a partner who takes care of warehousing, re-packing, and administrative issues. Finally the partner distributes the product to the customer.



Figure 3.2: From order to received product
Source: Own model

4. THE INTERNATIONALIZATION PROCESSES OF FOUR SWEDISH E-COMMERCE COMPANIES

In this chapter the result and the analysis of the empirical study are presented. We will take a spring point in the two operationalizations, and after that the Uppsala-model will be reflected upon. We focus on the internationalization patterns for the companies investigated, and we also look at the similarities and differences between internationalizing as an e-commerce company in comparison to the traditional way suggested by the Uppsala-model and its operationalizations. Finally, some critical issues for the internationalization process will be presented. A case study on four Swedish e-commerce companies has been conducted. Data has been gathered through interviews within top management. The research process can be found in Appendix 1.

4.1 Development within a Specific Country

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. no regular export activities 2. export via independent representatives (agent) 3. sales subsidiary and 4. production/manufacturing | <p>The Uppsala researchers are suggesting a chain of internationalization steps, a sequential establishment to a new market. The establishment chain starts with a small internationalization initiative that gradually increases over time.</p> |
|--|--|

4.1.1 How our case companies acted

All our case companies are in the early phase of internationalization, meaning that they have not dealt with internationalization for a very long period of time. What we are describing below are therefore the first initiatives that the case companies have taken to foreign markets and to what degree the company has committed resources to the countries entered.

4.1.1.1 Bokus

Bokus has entered the different countries with the same approach. The company has established operations in the different markets, Finland, Denmark, and Norway, by having only one person, a local marketing director present. These local marketing directors are responsible for the local marketing actions in their countries respectively. Bokus has a strongly centralized organization. About 70 percent of the personnel work in Lund. Bokus wants to be perceived as a local player in every foreign market, though. Therefore the central domain address, www.bokus.com, has a section for visitors from each country, a Finnish interface meets the Finnish customer etc. At the customer support department in Lund personnel from every country work. Logistics is handled in Malmö.

4.1.1.2 Boxman

Boxman enters each country with help from the PR-model, described in 3.2.5, which means that the company tries to find local investors and partners in order to gain credibility for the business concept. Normally, one person or a project-team from Boxman first travels to the country in question and starts to search for local investors. In phase two the idea is presented to the IT business. In phase three the idea is introduced to local key persons within the music industry. Finally, just before launching the site, Boxman starts to spread information about the company's intentions for the market and journalists and media are contacted.

To have a local presence in all its foreign markets is central in Boxman's expansion strategy. Boxman has established local branches or subsidiaries in each market. The organizations in each country are small units focused on developing sales in their specific markets led by a domestic manager with staff for handling customer service, marketing, purchasing, and web adaptations. Each local office typically has five to ten employees. Boxman moved its head office from Stockholm to London in connection with the

buying of iMVS.com. Today only 25 percent of the personnel is placed in Sweden. On each of Boxman's seven markets they have a web site with a country domain address, e.g. boxman.no, boxman.fr etc. Logistics is outsourced to a party in the Netherlands.

4.1.1.3 Dressmart

Dressmart has an organization based on Dressmart's presence on each individual market. On each market Dressmart has a local web site, e.g. dressmart.no, dressmart.fi etc. So far three persons, a country manager, a market manager, and a web master, work at the domestic subsidiaries setting out from a central business model. In the UK the situation has called for additional manpower, though. About 50 percent of the employees are placed in foreign countries. The product mix and the design of the web site are locally adjusted. Logistics are outsourced both to a Swedish and a Dutch partner.

4.1.1.4 LetsBuyIt

Having a local presence in all the main European markets is something that LetsBuyIt stresses, even though they think that they need to have a strong central function in order to gain synergy effects. The subsidiaries are all led by country managers, who are responsible for the main activities carried out in each country, local marketing, purchase, and construction of the web site. The company uses country-specific domains e.g. letsbuyit.fi, letsbuyit.de etc.

Even though LetsBuyIt does not sell products in the Netherlands yet, at least not from any Dutch web site, it could be interesting to note that they have moved their head office from Stockholm to Amsterdam. The reason is that they want to be able to better serve the growing European market. About 75 percent of the employees are now placed outside Sweden.

After having decided that a specific market should be entered, a project group, at LetsBuyIt called “roll-out-team”, prepares for the company to internationalize its business in the country in question. The roll-out-team consists of 3 to 5 persons from the head-office, with representatives from the three functions market, purchase, and operations. One of the first steps is to recruit personnel, most importantly a country manager. Besides making initial contacts with suppliers, the team continues with some very practical issues, e.g. finding an office, opening bank accounts, registering a domain-name, and establishing the company.

4.1.2 Observed patterns - Development within a specific country

Johanson and Vahlne suggest that companies should enter a country gradually starting with a small initiative. A firm is supposed to enter a new market in this way due to uncertainty about the market. The more the company learns about the country in question, the more resources the company is willing to commit.

The case companies can of course not be matched with the manufacturing firms investigated by the Uppsala researchers in the 70s when it comes to comparing the mode of steps and the size of them taken, as the context differs totally. According to the Uppsala researchers companies traditionally took small steps, due to uncertainty and lack of knowledge and experience, in order to reach a desired larger position. See figure 4.1.

The e-commerce companies investigated are all at an early phase in the internationalization process. Therefore it might be a bit early to discuss the establishment chain and the suggested incremental internationalization. It seems like our companies are entering new countries in a very goal oriented way, though. All four case companies have set up goals of how they should organize their businesses in the different countries, and then within the first step they have entered the countries rather radically to reach

the desired position. Thus, in contrast to the traditional companies mentioned above, the e-commerce companies seem to take a rather radical first step, committing the resources needed to get to their intended “ultimate” position. This is visualized in figure 4.1. From his study, Nordström concluded something similar to our findings. “The pace of the internationalization process seemed to have changed from the traditional gradual process towards a more rapid and direct one.” (Nordström, 1991, p. 3) Also Hedlund and Kverneland’s (1984) study showed that companies took larger initial steps, which was explained by the changes that took place in the time period covered by the their and Johanson and Wiedersheim-Paul’s study.

Of course a desired position is changeable, meaning that a company may discover new positions along the way that it wants to realize. Boxman is one of the “oldest” Swedish e-commerce companies and has lately bought an international competitor and moved its head-office from Stockholm to London. Those movements can be seen as examples of further commitment to the UK market, if they are caused solely by learning though, as suggested by the Uppsala-model, is questionable. See 4.3.

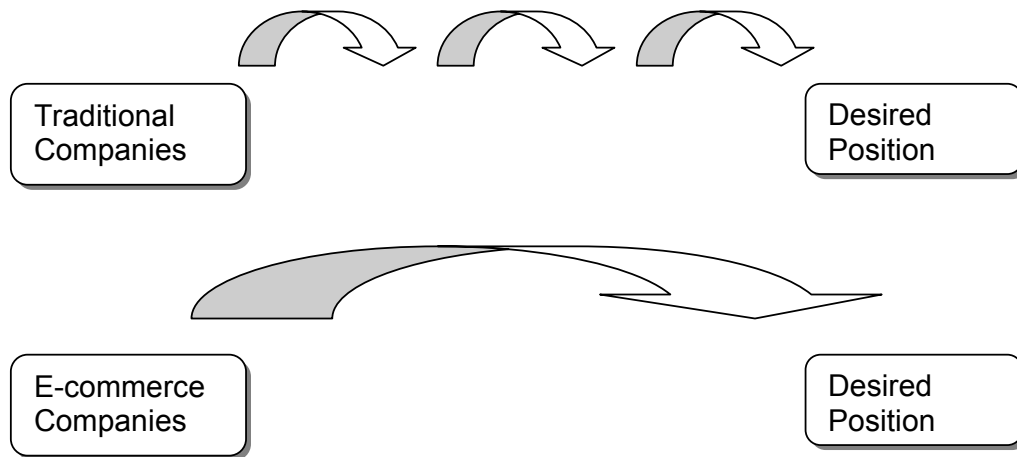


Figure 4.1: The entry mode – traditional vs. e-commerce companies

Source: Own model

If one compares the case companies' different entry modes, both similarities and differences can be found. Compared to Bokus, the other three companies, Boxman, Dressmart, and LetsBuyIt have all taken a larger initial step, establishing subsidiaries or branches, and setting up organizations with different functions in each country. Bokus is the company, compared to the others, that has taken the smallest step having only a local marketing manager in each foreign country entered.

As e-commerce companies solely do business on the Internet their web sites are of course of crucial importance, as this is what is visible to the customer. In other words the web site is immediately fundamental in the establishment within new countries, the interface can change over time though. Bokus has chosen to have one web site for all customers, independent of which country they come from. Boxman, Dressmart, and LetsBuyIt have on the contrary one web site for each market, which could be seen as a larger commitment.

If we look at Kutschker and Bäurle's (1997) dimensions describing the degree of internationalization (see 2.1), we consider Boxman, Dressmart, and LetsBuyIt to be more internationalized than Bokus as their amount of resources committed to foreign markets is higher. Bokus has chosen to have only one representative in each country, one web site covering all languages, and all other functions except from logistics which is outsourced and a purchasing office in London, can be found at the head office in Lund where 70 percent of the personnel work. The other three companies have established offices with functions for e.g. marketing, customer support, IT and web, and purchasing in the host country, and at least 50 percent of the personnel is placed outside Sweden. They have also outsourced their logistics to partners in the Netherlands. Boxman and LetsBuyIt have also moved their head offices abroad. Another difference between Bokus and the other case companies is that Bokus has only entered the three neighboring countries, while the others have entered more countries and countries geographically distant.

4.1.3 A different entering mode – Three exceptions

Johanson and Vahlne present three exceptions when firms tend not to behave according to the establishment chain.

First they say that companies with great resources can be expected to take larger steps in the establishment chain. We think that this is true for at least three of our case companies, Boxman, Dressmart, and LetsBuyIt, which are all financed by venture capital. Those three companies do not only have the possibility, due to the venture capital, but they seem to be expected to enter countries in a rapid and radical manner. See 4.3.1.1.

The second exception suggests that when market conditions are stable and homogeneous market knowledge can be gained in other ways than through own experiences. Nordström (1991) says that the world becomes more and more homogeneous over time. See 2.5. As the world becomes homogeneous, the psychic distance between countries decreases, and the company's perceived uncertainty when entering a foreign market is lowered. This could be an additional explanation to why our case companies have been able to take a more radical first initiative. Moreover technological improvements are said to trigger this evolution. Since 1993 the Internet has boomed as one of the most obvious products of development in technology. Quite likely this is one factor further driving homogenization.

It seems like the case companies to large extent gain knowledge in other ways than through experience. Dressmart has used a consultancy agency specialized in the internationalization process of e-commerce companies.

“We are working with a lot of people with experience from the traditional retail and Internet business. Concerning the internationalization, the founder of Boxman, Ola Ahlvarsson, has gained great experience from the Boxman case and his company Result Venture Knowledge is now helping us

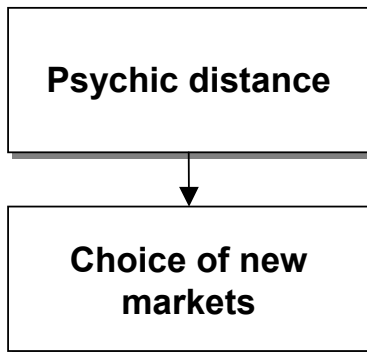
in each country. Basically, we are bringing in the experience that we do not possess ourselves.” (Annika Järund, Dressmart)

All companies have used consultants for various reasons to a large extent. The companies also seem to focus on their core competence and outsource a relatively large amount of functions, which can also be seen as another source of knowledge. All companies also stress the importance of hiring local personnel in each country, which could further ease their entrance process.

Johanson and Vahlne's third exception says that if the firm has experience from markets similar to the one that the firm wants to enter, it may be possible to generalize this to the specific market. Each of the four companies has used the same establishment mode in every country, i.e. they have set up almost exactly the same operation in every market. Three of them, Boxman, Dressmart, and LetsBuyIt, have entered several countries simultaneously and quickly. The pace of internationalization and the fact that they have entered every country similarly imply that there has not been much time to evaluate the mode of establishment between the entrances. But, as mentioned, they have all used consultants and other external knowledge, who might have knowledge and experience about generalizing similar markets.

As we see it, at least two out of three exceptions fit with the case companies investigated. The way that our case companies go about when entering countries, committing a large amount of resources at an early stage, might be explained by the different exceptions above. Boxman, Dressmart, and LetsBuyIt are financed by venture capital, providing them with huge resources and all the companies have gained knowledge from external parties.

4.2 Development across Countries



The Uppsala researchers are suggesting that firms would enter new markets with successively greater psychic distance, meaning that their internationalization should start by going to markets they could easily understand in order to lower uncertainty.

4.2.1 How our case companies acted

Below it will be described which countries that each company have entered and in which order, followed by a discussion concerning the psychic distance as a factor influencing the choice of countries.

4.2.1.1 Bokus

On the 18th of August 12.23 p.m. 1997 Bokus launched its Swedish web site. Bokus, together with Boxman, quickly became “the e-commerce cases” people referred to. When KF Media had bought 45 percent of the shares it was decided that Bokus should expand to the other Nordic countries, Finland, Denmark, and Norway.

Almost exactly a year after the launch of the Swedish site, on the 20th of August 1998, Bokus launched the Finnish section on the web site www.bokus.com. Just as when Bokus started in Sweden, students were the initial target group and the site was launched about the same time as the Finnish academic semester started. Half a year after the launch of the Finnish version, the Danish version on the web site was introduced to the public on the 4th of December 1998. Just as when Bokus entered Finland

and Denmark, the Norwegian part of the site was launched simultaneously with the start of the academic semester, on the 15th of August 1999.

In order to grow further, Bokus considers two possible ways to go about, extending the product range or expanding into new markets. If the company decides to internationalize further it will either enter one of the big markets, i.e. Germany or the UK, and accept being the second or the third biggest player, or it will enter markets that are unexplored, i.e. Poland or the Baltic countries, and try to become the market leader. Bokus has not taken any decisions yet.

4.2.1.2 Boxman

Boxman quickly gained market acceptance in Sweden after the launch in December 1997, and the decision was made to expand to Norway, Denmark, and Finland. After successful launches in these countries a pan-European establishment was initiated.

Eight months after the Swedish launch Boxman made its first attempt to expand to a foreign market, and the choice fell on Norway. On the 20th of August 1998 Boxman launched its Norwegian web site. Already one week after the Norwegian launch, on the 27th of August 1998, Boxman opened its site in Denmark. On the 7th of September 1998, approximately one week after the Danish launch, the Finnish web site was initiated.

France was Boxman's first country in the pan-European initiative. On the 10th of March 1999 the French web site was launched. About three weeks after the launch in France, Boxman opened up its English web site on the 29th of March 1999. The sixth foreign country that Boxman entered was Germany. On the 8th of May 1999 the German web site was launched. The last country that Boxman has entered so far is the Netherlands. After the summer, on the 31st of August 1999, Boxman entered the Dutch market, with the aim of giving the company a foothold in the Benelux region.

Boxman plans further expansion to Spain and Italy during early 2000 to establish the company in Southern Europe.

4.2.1.3 Dressmart

Dressmart stayed in Sweden for about four months but has then moved extremely quickly from the domestic market to the other Nordic countries and also further out in Europe. Four months after the launch in Sweden, on the 22nd of August 1999, Dressmart made a first attempt to expand to foreign markets when they started an operation in Finland. Already the week after the Finnish launch, the Norwegian web site went public on the 28th of August 1999. On the fifth of September 1999 Dressmart entered the Danish market.

The Netherlands was the first country in Dressmart's pan-European initiative. The Dutch web site was launched on the 22nd of October 1999. About a week after Dressmart had opened up in the Netherlands they entered the UK. The web site went public on the 28th of October 1999.

Dressmart plans further expansion to France in January 2000 and Germany in February the same year. The next step is to enter the American market, but countries like Austria and Belgium are also being analyzed.

4.2.1.4 LetsBuyIt

After the start-up in Sweden in April 1999 LetsBuyIt expanded to the other Nordic countries, Norway, Finland, and Denmark. Then a pan-European establishment was initiated and other countries will be entered in the near future.

A couple of months after the Swedish launch, on the 25th of August 1999, LetsBuyIt made its first attempt to expand to a foreign market, and as a first initiative they entered Norway. Just the day after, on the 26th of August

1999, the Finnish site was launched. On the 27th of August 1999, two days after the Norwegian and the day after the Finnish, LetsBuyIt dropped the Danish web site.

Germany was the first country outside the Nordic countries where LetsBuyIt established operations. On the 21st of October the German site went public. Exactly a week after the German launch, on the 28th of October 1999, the English web site was launched as the number two pan-European initiative.

The earlier mentioned “roll-out-team” is at the moment starting up branches or subsidiaries in Austria, Belgium, the Netherlands, and Switzerland. These different web sites will all be launched in December 1999. The plan is also to start businesses in Spain in January year 2000, and in Italy and France in February and March, respectively. After the planned listing on the German stock exchange in May 2000, LetsBuyIt will try to enter the US market.

4.2.2 Observed Patterns - Psychic Distance as a factor influencing development across countries

The case companies have internationalized their businesses as shown in table 4.1. The development across countries is described for each of the case companies and compared to the list of psychic distance made by Nordström (1991).⁶ Observe that only the first fifteen countries in the list are represented, as those are the countries that the case companies so far have an interest in. The numbers that are presented under the companies, respectively, illustrate the order in which they have entered the specific countries. The light-grey-colored boxes represent the countries that, according to the companies, should be entered next. Even though it can not

⁶ We have chosen to use Nordström’s list of psychic distance as it can be supposed to be most accurate since his study was conducted later than the one by Hörnell et al.

be guaranteed that these countries will be entered, we feel that it could be interesting to reflect upon those patterns.

Nordström's list	Bokus	Boxman	Dressmart	LetsBuyIt
1. Norway	3	1	2	1
2. Denmark	2	2	3	3
3. Finland	1	3	1	2
4. UK		5	5	5
5. Germany		6		4
6. Switzerland				
7. Netherlands		7	4	
8. Austria				
9. United States				
10. Canada				
11. Belgium				
12. France		4		
13. Spain				
14. Australia				
15. Italy				

Table 4.1: The development across countries for the case companies in comparison to the psychic distance list made by Nordström (1991).

Have the case companies followed the ranking-list of psychic distance? Some very strong indicators that they have can be found, but also some exceptions. The latest research leading to a new psychic distance ranking list made by Nordström (1991), confirms that Swedish companies should enter the other Nordic countries in the first phase, as visualized in table 4.1. Then it is suggested that companies should further internationalize their businesses to other countries in Western Europe, firstly Germany and the UK. Companies are then supposed to enter the US and Canada before moving further to the Mediterranean countries.

Considering the order in which the companies have established their businesses in foreign markets, they have all started their internationalization by going to the neighboring countries, Denmark, Finland, and Norway, which goes well together with the ranking list. They have chosen to enter these countries in a different order, though. Two companies, Dressmart and Bokus, expanded to Finland first, even though Finland is placed as the third country on the list.

LetsBuyIt continued to internationalize in accordance to the ranking list, entering Germany and the UK. Also Boxman and Dressmart internationalized to countries in Western Europe. Boxman though, chose to enter France, which is placed as number 12 on the ranking list, and Dressmart went to the Netherlands before for example Germany.

Dressmart is soon going to expand to Germany, which goes along with the ranking list, but also to France, which does not support the thought that firms should enter countries in a specific order due to the psychic distance. LetsBuyIt is next going to enter Austria, Belgium, the Netherlands, and Switzerland. Thereafter they say that they are continuing by expanding to Spain, Italy, and France. This is almost exactly supported by the ranking list. The final company that has planned to internationalize further in the near future, Boxman, is going to Spain and Italy, which both have a higher degree of psychic distance than the other countries entered by Boxman.

For obvious reasons the words psychic distance were not something that was explicitly stated by the persons interviewed. Some comments though, could be seen as signs of the psychic distance influencing the choice of countries entered.

“Germany and the UK have been the most attractive countries all the time, but it was all about the cultural distance to Norway and the other Nordic countries. It was not a coincidence that we entered Norway in the first place. It is so much easier, you understand the country and they know who

the Swedes are. One could say that if all factors were the same both in Norway and the UK, we would still have entered Norway first. We entered the Nordic countries first, and the reason I guess, was that they were close at hand.” (Anders Karlberg, Boxman)

“The Nordic markets are very similar, a low amount of brands have to be exchanged. It is easy to understand the customers, there are no big obstacles or cultural clashes.” (Martin Geber, Dressmart)

“Swedish and Norwegian people buy almost the same products and the mental distance is not very big either. We can see the same between countries like Spain, Italy, and France. (Michael Freudenthal, LetsBuyIt)

Some overall remarks are that France seems to be entered sooner than the ranking list proposes and that the American market is not entered as fast as the list of psychic distance suggests. Dressmart and LetsBuyIt are the only companies that have plans to enter this market in the near future. They have planned to enter this country after for example France though, which goes against the list. Even though some exceptions can be found, it can be concluded that the companies follow the psychic distance list, to the degree that the Nordic countries are entered before other Western European countries. Moreover, the Mediterranean countries are to be entered at a later stage in the process. Thus the psychic distance seems to play a role when our e-commerce companies are entering different countries, and it can be seen as one underlying factor that influences the development across countries.

An interesting question to ask oneself could be if it is not easier to enter e.g. Spain and Italy when already operating in France. This is because the rate of psychic distance between those countries is probably lower than between e.g. Sweden and Spain. Boxman stated that they entered the Netherlands to get a foothold in the Benelux region, which might be seen as an example of such thoughts.

When we raised the question why the case companies entered the different countries in a specific order, some other answers than psychic distance were found. In the next chapter some factors that the companies consider important when deciding which countries that should be entered will be presented.

4.2.3 Other important factors influencing the development across countries

Below several quotes are presented in order to illustrate the results of our question regarding what factors are important when choosing which countries should be entered.

4.2.3.1 Bokus

“Different factors had to be taken into consideration. How big is the market? How big is the market for online book shopping? How does the competitive environment look? And above all, how does the structure for distribution look? ...The costs related to an expansion into a new market must be taken into consideration and compared to the sales that can be expected. Also the amount of risk-taking must be taken into consideration. ...The fact that the Nordic countries became the sphere of our activities, not Sweden, not Europe, not the world, is a result of our owner’s strategy. KF is present only in the Nordic countries. ...Denmark and Norway have these price restrictions on books and this was the primary reason why we choose to start in Finland. For us Norway was entered last, as it was the most difficult country to go to. They are not members of the EU, they have restrictions for competition, and nationalism etc.” (Jerker Nilsson, Bokus)

4.2.3.2 Boxman

“We entered France before the UK and Germany, because we thought that if we were going to fail in a market it would be better to do it in France than in one of the major European markets, the UK or Germany. ...Above

all the Internet penetration and the Internet maturity which is much higher in the Nordic countries. The preconditions for being successful in these countries are much better than in the rest of Europe. The UK and Germany are attractive countries because of their population and the market potential for CD's. ...Without access to the Internet, the customers can not reach Boxman, this is a fact. But it is also dependent on the amount of inhabitants. The amount of people that have access to the Internet is higher in for example the UK or Germany in comparison to Norway.” (Anders Karlberg, Boxman)

4.2.3.3 Dressmart

“A decision, concerning which markets we want to expand to, is dependent on many different factors. How to finance the project, the Internet maturity, Internet penetration, the size of our target group. ...The most important factor is definitely the size of the market. Another important thing is that the inhabitants have started to use the Internet for shopping. ...The Nordic markets are very similar, a low amount of brands have to be exchanged, it is easy to understand the customers, and there are no big obstacles or culture clashes. Moreover, the logistical problems are minor in the Nordic countries.” (Annika Järund and Martin Geber, Dressmart)

4.2.3.4 LetsBuyIt

“The basic criteria is the Internet penetration, that is what we look at as a first indicator, but of course we are also looking at the population in the specific country. A third factor is Internet maturity. It is still a great obstacle for people to actually shop over the Internet. The last factor is the payment system in the different countries. ...We used Sweden as a test market. Stockholm has an Internet penetration of about 70 percent, which is incredibly high. Also Finland, Norway, and Denmark were suitable for us to start with. In order to get volume we entered the UK and Germany. We are then planning to go to Austria, the Netherlands, Belgium, and Switzerland and thereafter to France, Spain, and Italy. These markets have a much lower rate of Internet penetration, but the population and the potential volume is very interesting.” (Michael Freudenthal, LetsBuyIt)

4.2.4 Observed patterns - Other factors influencing the development across countries

Besides psychic distance several other factors have been discovered as important for development across countries and we have sorted them into three different categories; Internet related, market potential, and company-specific factors. Those three categories can be looked upon as being of a more rational character.

4.2.4.1 Internet related factors

Different Internet related issues seem to be the most important factors for the companies when choosing between countries. That the Internet exists is a precondition for our companies, because they are only selling their products on the Internet. Therefore the companies in general distinguished the Internet penetration as being the most crucial Internet related factor for entering a specific market. This might explain why the case companies all went to the Nordic countries first, as they have the highest Internet penetration. See Appendix 2 for more specific figures.

Notable is that the Internet penetration rates correlate to a large extent with the psychic distance list presented in 2.3.2. Psychic distance can be changed by e.g. development in communication systems. Since 1993 the Internet has boomed and has become one of the world's first communication tools (Downes and Mui, 1998). That the lists correlate might imply that the Internet penetration within a country is a factor affecting psychic distance. In a couple of years it might be that the Internet is such a common phenomenon in the largest part of the world that no one really talks about Internet penetration. Today no one talks about "telephone penetration". Both psychic distance and Internet penetration obviously seem to be important factors for the companies' choice of foreign markets, but one can ask oneself whether the Internet penetration, if not already, will count as a part of psychic distance in the future.

The Internet maturity was also frequently mentioned as an important factor, with the motivation that shopping over the Internet is still not accepted to any larger extent. Many decisions taken within the case companies are based upon expectations that the on-line shopping will boom.

This category of factors can also be connected to the factors related to the market potential. From the interviews it can be concluded that it is considered to be less risky and also easier to enter a country with a high rate of Internet penetration. This could to some degree explain why our companies have not entered countries like the UK and Germany before the Nordic countries. Germany and the UK have a greater population with Internet access than for example Norway, but the maturity and acceptance in this country though, is assumed by the case companies to be much higher.

4.2.4.2 Factors related to market potential

Factors associated with market potential seem almost as important as the Internet related factors mentioned above. Within the market potential almost everything can be discussed, it seems to be a rather wide concept. The factors that we have met when talking to the interviewees were mainly associated with the population within the country in question, but also the size of the target group and the potential of the group. For our companies, and all other companies only doing business through e-commerce, the market potential is to a large extent decided by the Internet penetration and the Internet maturity. Just as when it comes to the Internet related factors much of the reasoning about which countries should be entered, and in which order, relies on prognoses of future market potential. The case companies are waiting for an explosion regarding the use of the Internet and also the degree of on-line shopping, especially in countries like the UK and Germany which have a large population but so far a rather low Internet penetration. See Appendix 2.

“The Internet penetration is characterized by the famous “ketchup-effect”. We are waiting for an explosion and when it happens you do not want to miss the train.” (Anders Karlberg, Boxman)

“When the great mass starts to shop over the Internet it will explode, it is really a “ketchup-effect”. When that happens it is of course very important to be the alternative for the new customers but also to have a database already filled with qualitative customers.” (Martin Geber, Dressmart)

“So far, the electronic commerce business is not that big, but we are facing a breakpoint and to be present in as many markets as possible when it finally happens is of course an advantage.” (Annika Järund, Dressmart)

The above discussion is based on the sales that can be expected from different countries and the amount of resources, the input, that has to be committed in order to create profit. Also the amount of risk seems to influence the choice of market. The risk and the resources that have to be committed might explain much of the development across countries. If a company should successfully enter a country with large potential, e.g. the UK, Germany, or the USA, and start earning money, it has to be prepared to commit a large amount of resources. To enter the other Nordic countries is considered to be combined with a fairly low risk, the Internet penetration is high, the Internet maturity is relatively satisfactory, the logistical problems are small, and the cultural barriers are low, thus the resources that have to be spent are fairly low. This can be another explanation why the Nordic countries are entered first.

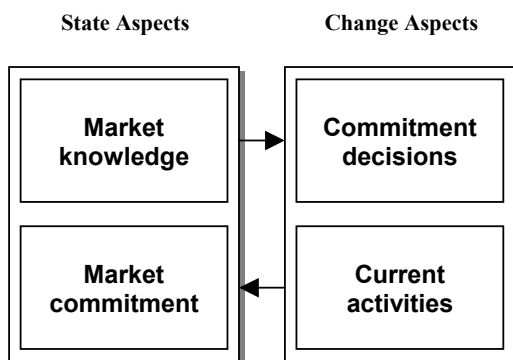
4.2.4.3 Company-specific factors

The company-specific factors have to a large extent to do with the products that the different companies are selling. Both Denmark and Norway have, due to cultural-political reasons, price restrictions on new domestic books. Those restrictions were the most important factor for Bokus choosing Finland as the first country entered. In Finland, Bokus could use domestic

books and lower the prices. The Finnish operation is very successful in comparison to the Danish and the Norwegian ones. Also for Dressmart the product range played a role when evaluating the different countries. Dressmart considered that the Nordic people bought similar brands and found it therefore easy to enter those countries. Another factor was that the logistical problem did not seem as significant between the Nordic countries compared to sending products to other European markets. Lindqvist (1988) also found in her study that the products influenced the choice of country entered.

The owners also seem to have influenced the choice of countries entered. LetsBuyIt went to Germany before entering the UK because of this reason. ProSieben who owns a large part of LetsBuyIt wanted the company to start its operations in Germany as soon as possible. The owner of Bokus, KF Media, also decided that they should be represented in the Nordic countries first. For a further reasoning see 4.3.1.1.

4.3 The Uppsala-model



The Uppsala-model aims at explaining the incremental character of the internationalization process emphasizing knowledge as the explanatory factor. Johanson and Vahlne mean that the internationalization process depends on the firm's learning

about foreign markets, a process that often proceeds slowly. Market knowledge and market commitment is said to influence current business activities and commitment decisions, and vice versa. The two basic assumptions behind the Uppsala-model are that companies strive for low risk and long-term profit. Even though we have not operationalized and

measured each of the four boxes of the Uppsala-model, as it is of a more abstract character, we have found some indications we find it worth discussing.

As discussed above under 4.1.2, all four case companies set up goals for how they should organize in the different countries already from the beginning and they establish their companies in almost exactly the same way in each market. As we see it, at least three companies, Boxman, Dressmart, and LetsBuyIt, have taken radical and direct steps as a first initiative setting up subsidiaries or branches in each country. With their emphasis on local presence, those companies seem to have a rather high market commitment having organizations with e.g. functions for marketing, web, purchase, and customer support.

Johanson and Vahlne's first exception when companies do not tend to behave according to the establishment chain presented under 4.1.3, says that firms with great resources can be expected to take larger steps. Boxman, Dressmart, and LetsBuyIt are all financed by venture capital and have much money to spend. As also described in 4.1.3, another explanation could be that all companies have used external knowledge. Consultants, local personnel, and outsourcing appear to be used to a large extent. This might be a sign that the companies do not need to rely on own experiential knowledge. As mentioned in 2.5, Nordström (1991) sees the easier access to external knowledge as one of the forces undermining the explanatory value of the Uppsala research. Nordström also states that the world has become more homogeneous. According to him the homogenization of the world further questions the explanatory value of the Uppsala-model and its operationalizations, as the psychic distance decreases when markets become more homogeneous. Due to uncertainty, companies traditionally entered countries gradually and gained knowledge in the country before taking further commitments. The homogenization of the world might be another reason why the case companies have taken rather radical first initiatives.

It might be too early to discuss the incremental character of the companies' establishment modes within a specific country, as they are all in the early phase of internationalization. The case companies' more radical ways of acting, *might* point at the fact that the incremental character of the internationalization process within a specific country caused by learning is small. As mentioned in 4.1.2, Boxman has bought a competitor and moved its head office abroad, behavior that can be seen as a sign of an increase in resources committed to a country. To what degree this behavior is caused by learning though, we do not know.

When moving *across* countries though, some small signs have been found indicating that the companies do think of incremental behavior caused by learning.

“To create an organization and to build content on the web site are the two main reasons why we move gradually.” (Annika Järund, Dressmart)

“There are two different ways of acting, either to go crash, boom, bang to several countries like boo.com⁷, or to do it like we have done it, stepwise. ...We are also trying to document our experiences in each country in order to avoid mistakes when entering the next one. “ (Michael Freudenthal, LetsBuyIt)

We think that the “impressive” speed at which the companies enter new foreign markets indicates that the time frame for gaining experiential knowledge is limited. To internationalize fast seems to be an important issue, which will be further discussed in 4.3.1. All companies except for Bokus have also entered foreign countries simultaneously. Of course the personnel learn something every day from the company's current activities in each country, but to us it seems that the time to reflect upon the knowledge gained between the countries entered is scarce.

⁷ Boo.com is an e-commerce company selling clothes and sportswear. As a first step they launched their web site simultaneously in several countries in the autumn of 1999.

The question about what the companies would have done differently if they got the chance to re-do the internationalization process so far was raised. The answers showed that the companies thought that it was too early to say if the expansion across countries or within the specific countries had been successfully accomplished, which might also indicate that the companies have not yet had enough time to reflect upon their actions.

“It is too early to say. You never know until afterwards.” (Anders Karlberg, Boxman)

“It is too early to say. We may discover that we should not have entered some of the countries or that we should have entered the biggest markets first. Time will show but so far it works and we have to grab market shares.” (Annika Järund, Dressmart)

To summarize what is said above: Due to the companies being in the early phase of internationalization, we think it is hard to discuss the incremental character of establishment within a specific country caused by learning. Regarding the development across countries, we see that they have moved gradually. But we question whether those movements are caused by learning from one country to another, as the time between the establishments is rather limited. The fact that the companies internationalize extremely fast seems to be an important strategic issue.

4.3.1 The Internationalization Process – Fast or Slow?

According to Johanson and Vahlne the internationalization of a company is often a slow process. One reason why it should be a slow process is that the incremental learning about foreign markets takes time. The four companies investigated have one very important thing in common concerning how they internationalize. We think that they have moved to foreign countries very quickly.

Within one year, Bokus and Boxman expanded into three and seven foreign markets, respectively. Dressmart and LetsBuyIt expanded into five foreign countries within only two months. All companies, except Bokus, have very clearly stated intentions to internationalize further in Europe, and in some cases even to the USA. LetsBuyIt, for example, is going to enter Austria, Belgium, the Netherlands, and Switzerland during December 1999. After that they continue to Spain, Italy, and France in January, February, and March 2000, respectively. Bokus and Boxman, which both started their Swedish web sites in 1997, were operating for about one year on a domestic basis before taking foreign initiatives, whereas Dressmart and LetsBuyIt, which started in Sweden in the spring of 1999, went abroad only after four months. Dressmart and LetsBuyIt have also internationalized their businesses more rapidly. This indicates that the pace of internationalization, concerning e-commerce companies seems to have speeded up. Nordström (1991) also argues that the speed of internationalization generally goes faster.

4.3.1.1 Why fast?

To internationalize fast seems to be a rather essential strategic issue for the companies. But why is it so important? We asked the companies about the importance of moving fast, i.e. why it is important to carry out the internationalization process fast, and several factors were found. To us it became clear that “landgrabbing” is the most important tactic, and that the companies are striving for first mover advantage in each market. The following part is divided into two perspectives on why these companies are moving so fast, the valuation and the competitive perspective.

The Valuation Perspective

During our interviews it has become clear that the owners, often venture capitalists, have a great impact on the internationalization process. Boxman, Dressmart, and LetsBuyIt explicitly said that the investors

influenced the expansion to other countries and especially the pace of the process. When we compared the four case companies, Bokus had often behaved slightly differently from the others. That they are not financed by venture capital might be an explanation for their sometimes being seen as an exception.

“It is important to have a strong brand when it comes to attracting the customers, but also when it comes to attracting our partners and investors. From this perspective it is crucial to get big fast and have presence in many countries. They are of course interested in working with the company that has reached a leading position. Therefore it is also important to move fast because that is one important parameter that we are valued from.” (Anders Karlberg, Boxman)

“Basically, we are valued from our position in the different markets, meaning that it is all about covering as many markets as possible as fast as possible in order to strengthen the brand and eventually raise credibility.” (Anders Karlberg, Boxman)

“The investors are steering us a lot! They are the ones who demand a certain speed of internationalization and they also set the sale goals. It is important not to lose focus on the business when trying to reach the short-term goals that are created by the investors. It may happen that a company departs from the business idea and starts emphasizing the hunt for venture capital. Most of the managers are saying that to get listed is not the prior aim, but for the investors it is the goal and they want fast results.” (Martin Geber, Dressmart)

“...it is also positive to be first from a valuation perspective.” (Michael Freudenthal, LetsBuyIt)

“There is a hell of a lot of pressure from the investors! What is going to be measured in a company like ours? We are earning money, OK, but we are valued from our ability to roll out the concept in as many markets as possible.” (Michael Freudenthal, LetsBuyIt)

In our opinion the case companies investigated do not seem to follow the Uppsala-model's two assumptions. See 2.3.3. Considering low risk, this does not seem to be prioritized, at least not to any larger extent if one looks at the companies' speed and radical ways of going about. Also that they rely to a large extent on prognoses about future on-line shopping might indicate that they are not dedicated to low risk. Three out of four companies are financed by venture capital, which can be seen as another indicator of low risk not being *that* important. It can also be questioned if long-term profit is of a higher priority for those investors. If we believed the comments from the interviewees quoted above they would seem to be keen on fast results and a fast return on their capital.

The Competitive Perspective

Another factor that seems to influence the pace of internationalization is the competition, or more correctly, the future competition. The European market for e-commerce is still fairly unexplored and companies are trying to take market shares while waiting for the "ketchup effect" discussed under 4.2.4.2. The companies all express that being first on a market makes it easier to get a leading market position.

"What you are looking for is first mover advantage, you want to be first on a market. How fast you have to move is dependent on the amount of competitors that are waiting around the corner. I think that if you really want to be the "category killer", really want to be the leader, it is of crucial importance to be first on a market." (Jerker Nilsson, Bokus)

"When it comes to the brand, of course there is an underlying factor that says that it is important to enter a market before the competitors." (Anders Karlberg, Boxman)

"We are standing in front of a possibility that few people or companies experience. We have a totally new concept and it is extremely important to act fast and be first on each market so that no one else enters the market

before us. It is not hard to copy our business idea. We have the possibility to quickly create a customer database, take market shares, and start earning money, not only in Sweden but in the whole of Europe. This is something that will be a great advantage for us as long as we exist.” (Annika Järund, Dressmart)

“If you have got a good idea, you enter as many countries as possible in order to be first on each market. Normally, the market leader can have higher prices. On the Internet, it is even more important because there is only enough space for a few players.” (Michael Freudenthal, LetsBuyIt)

Vahlne (personal communication) say that competitiveness was not taken into consideration in the Uppsala-model when it was created. If we look at the expressions from our case companies, competition or potential competition seems to influence the pace at which they move.

4.3.2 The Internationalization Process – Planned or Emergent?

The Uppsala-model of internationalization views, as mentioned, the internationalization of a firm as a process of experiential learning and commitments that leads to an evolutionary development to foreign markets. Firms have to adapt slowly before taking further international steps, meaning that strategy rather evolves as a process than being rationally planned from the beginning.

When looking at the overall internationalization strategy, we think that our case companies have a rather rationally planned approach to their internationalization activities. All case companies, except for Bokus, knew from the very beginning that they were going to expand to other countries and also to which specific ones. They have also clearly stated goals saying that they should e.g. be market leaders in Europe.

“The aim from the beginning was already that we should internationalize into foreign markets.” (Anders Karlberg, Boxman)

“Yes, we knew already from the start that we should expand to other countries.” (Michael Freudenthal, LetsBuyIt)

Also the way of entering a specific country was planned in advance, and all companies went about in the same way when entering the different markets.

“Yes. We do it the same way, we mainly use the PR-model. Of course it would be possible to talk about different stages when preparing to enter a new market, but it is more of a project where a number of things should be taken care off.” (Anders Karlberg, Boxman)

“In every country we had a roll-out team who started up the organization. Now they have begun to set up organizations in Belgium, the Netherlands, Austria, and Switzerland. It is a very simple and pragmatic approach, we follow a to-do-list.” (Michael Freudenthal, LetsBuyIt)

Even though all case companies seem to have an overall rational internationalization strategy, the activities tend to be influenced by a more evolutionary pattern. Below a striking example is given.

“No other companies have done what we are doing, neither the business idea itself, nor to expand as quickly as we have done. This means that we are being taught what can and can not be done, so a great part of the strategy is characterized by learning-by-doing, of course things are partly decided, but it is also an ad-hoc situation.” (Michael Freudenthal, LetsBuyIt)

The companies are acting out from a plan concerning the development within a specific country and development across markets. When it comes to the development across markets though, we have noticed that the order, in which the countries are entered, is sometimes decided in more irrational ways. Unexpected coincidences also seem to have affected the original strategy.

*“Our biggest problem has been the technical one, this is an issue that has prevented us from internationalizing as fast as we had planned, our aim was actually to expand to all countries before Christmas last year.”
(Anders Karlberg, Boxman)*

“First we went to the Nordic countries. Why Finland was the first country entered was because they happened to have a big TV-show at that moment. We saw the opportunity to participate and launch the Finnish web site simultaneously. But why we went to the other European countries in a specific order I do not really know. It is a lot about coincidence.” (Annika Järund, Dressmart)

*“The fact that we should expand our business into foreign markets was decided already from the start, but we did not expect it to happen so fast.”
(Annika Järund, Dressmart)*

“It would have been better to launch our web site in Germany after the UK, but it appeared to be impossible, due to our owner, the German media company Prosieben. They have invested a lot of money and wanted to see us in Germany as soon as possible.” (Michael Freudenthal, LetsBuyIt)

It seems like the companies investigated are steered by an overall strategic plan that sets the direction, but along the way new decisions are taken and the internationalization is carried out in a slightly different way than planned. This mix between planned and emergent strategy Kirsch (1984; according to Kutschker and Bäurle, 1997) calls “planned evolution”, and implies that internationalization is a result of both emergent processes and intended strategy. The concept of “planned evolution” can be explained as an intended internationalization strategy that serves as an umbrella which gives the international evolution a specific direction (Kutschker and Bäurle, 1997). According to us, this seems to be fairly true when viewing our case companies. They all know to which countries they are internationalizing their business, but the order or the exact date is often decided along the way.

4.4 Critical Issues for the Internationalization Process of E-commerce Companies

The companies studied have all experienced different issues when expanding to new markets that they perceive as being crucial for the internationalization process. The most critical issues stated by the case companies are presented and commented upon below. We want to make the reader observant of the fact that the aim is not to give advice on how the internationalization process *should* be done.

4.4.1 Speed

As mentioned, all case companies have moved very quickly to the new markets that have been entered. To internationalize fast seems to be an essential strategic issue for the companies. All companies have told us that “time to market” is of crucial importance. See chapter 4.3.1. The e-commerce market in Europe is fairly unexplored and to take market shares in this initial phase opens up for a market leading position and finally survival on a growing market.

4.4.2 Technology

E-commerce companies have a store where customers shop just like a traditional retail company. The difference is that e-commerce companies only have one door leading to their store, the interface of the web site on the Internet. If the web site, unwillingly, should be shut down, the store is closed, nothing can be sold, and it leads to bad-will for the company. Thus, the technology, i.e. the technological platform, is a fundamental factor for e-commerce companies’ survival.

“We have not had any serious problems. But the site must work, it is extremely important.” (Jerker, Nilsson, Bokus)

“Technology is a problem that everyone has, it is important to build something that can be complemented and extended. Otherwise you can get problems when the amount of customers increase.” (Martin Geber, Dressmart)

“Technology is extremely important, we have not had any bigger problems though. Of course we face delays all the time, but that is something that is very hard to prevent. I feel that we have the technology under control, but it is of course extremely important. If the web site is down, we can send home all of our employees. So when it comes to IT, you have to have the best of the best.” (Michael Freudenthal, LetsBuyIt)

All companies had faced some kind of technology related problems. Boxman mentioned that the technology had caused problems for the internationalization process of the company. Boxman’s plan was to internationalize their business even faster from the beginning, but the technology has prevented this intended development.

“The flexibility from an organizational perspective is very high, we have small units in each country. The organizational sluggishness that can often be found in big traditional companies, has in our case been replaced with a technological inertia, meaning that our speed of internationalization has been slowed down by technical problems.” (Anders Karlberg, Boxman)

When Boxman started its Swedish web site it was built on a platform, which showed to be incapable of handling the complexity, e.g. the amount of customers and the number of local web sites, that came with the internationalization. All companies stressed the importance of building a technological platform that could be complemented by new systems in order to handle more complex situations, occurring when internationalizing.

4.4.3 Local Anchorage

The Internet is a rather new phenomenon that makes it possible for companies to reach a global market. The case companies though, all seem to agree upon the importance of having a local presence on each of the foreign markets that are entered. Some examples why companies emphasize local presence are to understand the local preferences and to generate credibility for the concept.

“Our mission statement emphasizes that we want to be perceived as the local alternative on each market.” (Jerker Nilsson, Bokus)

“One fundamental factor when trying to enter a foreign country is to recruit personnel that understand the specific market. We need personnel that understand the local music industry and how to act locally from a marketing perspective. We also need local people to meet the media. To act local also generates credibility for our concept.” (Anders Karlberg, Boxman)

“To have a local anchorage, a local touch, and a national product line is, as we see it, a necessity for being successful when going international. When selling image clothes over the Internet you have to have a national web site, you can not have a global site, offering customers in different countries the same product range.” (Annika Järund, Dressmart)

“It is of great importance to be perceived as a local player on each market. The main rule is to have local people in each country. On the contrary, we need a certain amount of centralization. Between us and Norway or Denmark there are cultural differences and we have different buying behavior. It is very hard to estimate, how much should be local and how much should be centralized. For the moment, and truly also in the future, the division between local and centralized resources will be 75 percent and 25 percent respectively.” (Michael Freudenthal, LetsBuyIt)

To have local presence and to find local partners also seems to increase the possibilities of getting media attention. Boxman builds its entire PR-model on local anchorage. Boxman searches for local investors, partners within the local music industry, and the IT business. As mentioned in 3.2.5, the main idea with the PR-model is to build trust throughout this chain, which should lead to journalists and media getting a positive picture when doing research back in the chain, i.e. contacting the local investors, the IT business, and the music industry.

4.4.4 Capital

The case companies are all still financed by their owners, in three out of four cases venture capitalists, who back up the project now to harvest the returns of the invested capital in the future. See 4.3.1.1. For the e-commerce companies it is a precondition to get external capital in order to be able to expand to new markets and take market shares fast, which in turn is considered a precondition for eventual long-term profit. To have an attractive business idea and the right contacts for attracting capital seem necessary for a “winning concept”.

4.4.5 A Strong Brand

When entering new countries it is crucial to communicate the brand and create a brand image. If the company has been unsuccessful in its brand strategy in a new country, naturally only a small number of customers will visit the web site.

“For an Internet-based company the brand is everything, the information buzz on the Internet is high and all we have got is a window where we meet the customers. If this window is closed, our web site is down, we do not exist. The brand is of vital importance.” (Jerker Nilsson, Bokus)

“It is important to have a strong brand when it comes to attracting the customers... (Anders Karlberg, Boxman)

“The brand? It is the only way for us to survive!” (Annika Järund, Dressmart)

“It is really important. We are trying to complement the fact that we do not have a strong brand yet with trying to sell the most famous brands in the world. In the long run though, it is extremely important to have a strong brand.” (Michel Freudenthal, LetsBuyIt)

It also seems to be important to create a strong brand position abroad in order to attract new investors or partners.

“...but also when it comes to attracting our partners and investors. From this perspective it is crucial to get big fast and have a presence in many countries. They are of course interested in working with the company that has reached a leading position.” (Anders Karlberg, Boxman)

“If you have the strongest brand in for example Europe, you do not only attract most customers, but you are also attractive to cooperate with.” (Martin Geber, Dressmart)

4.4.6 Human Resources

Boxman, Dressmart, and LetsBuyIt are all growing extremely fast, which is considered to be important when internationalizing. The rapid growth seems to have caused organizational problems. LetsBuyIt has for example increased the number of employees by almost 100 people within only eight months, and are now facing some problems.

“Another problem is getting people to head in the same direction. We have increased our personnel by 93 people in 8 months. Working with people from different countries and cultures makes it hard to motivate everyone to aim at the same goal. If I had done it all over again I would have spent much more resources from the beginning on a real human resource department, people that could educate the new ones and document everything.” (Michael Freudenthal, LetsBuyIt)

“It is incredibly difficult to find the right people, especially when it comes to people that have skills in translation.” (Annika Järund, Dressmart)

This factor is nothing exclusively important for e-commerce companies, but obviously a fast internationalization causes problems also from a human resource perspective.

4.4.7 Core Competence

All companies seem to rely on external knowledge to a large extent, outsourcing logistical matters, such as distribution, warehousing, and re-packing, but also a large number of other functions, such as IT, web, and customer support. Moreover they use consultants for various reasons. See 4.1.3. Thus, the companies seem to focus on their core competencies and outsource everything else. Neither is this factor exclusively important for this type of companies, but they seem to have adopted more “modern” types of organizational structures in order to cope with the fast expansion.

5. CONCLUSIONS

Our thesis was initiated because of the new and fast growing environment that attracts more and more companies to do business electronically – the Internet. The questions that were raised were whether e-commerce companies internationalize to new countries in the traditional way suggested by the Uppsala researchers or if they expand in another manner, but also why they choose a certain way of going about it. In this final chapter we would like to highlight the most important findings of our thesis.

5.1 A Hyped Environment and A New Business Logic

Throughout this thesis it has become clear to us that e-commerce companies operate in a unique environment and that a totally new business logic seems to be valid for this kind of business. The “new economy” and the Internet are given an enormous space in media today and the interest for the companies working in this environment is huge. E-commerce companies also seem to be an extremely attractive target for venture capital, and the trend is now to get listed on the stock exchange as soon as possible. The success of these companies is to a large extent dependent on prognoses - everyone is waiting for “the ketchup to start running”. The e-commerce market in Europe has just started to grow and judging from our case companies’ behavior, it seems like no one wants to miss the train.

The hyped environment naturally influences the way our e-commerce companies internationalize into new markets. Due to the importance of first mover advantage and the pressure from the investors, “landgrabbing” has become the number one priority on the agenda and an important part of the new business logic. To expand and take market shares faster than the competitors is in focus and are said to be crucial for survival. The case companies seem to follow the quote from Intel CEO Andy Grove: “In the next millennium there is only room for two types of companies. The quick

and the dead.” When Internet grew and enabled e-commerce it opened up a totally new opportunity for companies to attract millions of customers. Of course there will be variants of e-commerce but the phenomenon will not be invented again. What counts is therefore to be fast and first on each market, a behavior that resembles that of the colonizing in the 16th and 17th century.

5.2 Is the Uppsala-model and Its Operationalizations Applicable on E-commerce Companies?

Our overall conclusion after having conducted this study is that the Uppsala-model and its operationalizations can not *alone* describe and explain the internationalization process of the e-commerce companies.

The Uppsala-model has preferences for the evolutionary strategy perspective when describing the internationalization process. Our case companies’ overall internationalization strategies however, are of a rationally planned character as we see it. The overall strategies are complemented though, by a “learning by doing” and “trial-and-error” behavior. As mentioned in chapter 4 we think that the concept “planned evolution” used by Kirsch (1984, according to Baurle and Kutschker, 1997) better describes the behavior of the case companies.

Due to the companies being in the early phase of internationalization we think it is hard for us to discuss the incremental character of the e-commerce companies’ development within a specific country. What we have noticed though, is that they take radical and direct first initiatives. All four case companies have set up goals for how they should organize their businesses, and have committed the resources needed to reach the desired position. The case companies’ more radical ways of acting *might* point at the incremental character of the internationalization process within a specific country being caused by experiential learning is small.

The case companies move to countries with a successively higher rate of psychic distance just as suggested by the Uppsala researchers, but we do not think that this factor can solely describe the companies' development across countries. More rational factors determining the choice of country such as market potential and Internet penetration were found. In our study it was noticed that the rate of Internet penetration correlated to a large extent with the psychic distance list. Just as Internet penetration might be a part of psychic distance, it is not surprisingly a precondition for the market potential for this type of companies. In the context in which the e-commerce companies operate, Internet related factors appear to be dominant for choice of new markets, as they seem to interrelate with both psychic distance and market potential.

To take more radical steps and to enter foreign countries at an impressive speed seems to be the most important characteristics for the internationalization process of the e-commerce companies investigated. Even though we have not operationalized the Uppsala-model itself, some very important reflections have been made. The high pace of internationalization and the fact that the case companies have entered foreign countries similarly, without changing their behavior along the way, imply that the time for evaluating their own behavior is scarce. To us it appears to be more important to internationalize rapidly and adjust mistakes along the way, than to move gradually and gain knowledge in order to conduct a faultless expansion from the beginning. Thus, the hyped environment and the hunt for market shares seem to suppress the importance of experiential learning.

5.2.1 Factors we believe undermine the explanatory value of the Uppsala-model and its operationalizations

As we see it several factors can be given for why the Uppsala-model and its operationalizations can not alone describe and explain the internationalization process of these e-commerce companies. As

mentioned, the case companies do operate in a very unique environment. We think that this hyped environment itself is a reason why the Uppsala-model and its operationalizations can not fully describe and explain the internationalization of these companies. As described above we believe that the radical way and the speed at which those companies internationalize hinder experiential learning.

Moreover, the two basic assumptions behind the model, long-term profit and low risk, do not seem to be given any higher priority from the case companies. When the Uppsala-model was created, the authors did not take competition into consideration, which definitely seems to steer the investigated companies' internationalization. Furthermore concepts like outsourcing were not contemplated, but have shown to characterize the organizational settings of the case companies.

Also two out of the model's three exceptions appeared to fit these companies, which further lowers the Uppsala-model's explanatory value for these e-commerce companies. That the case companies have a lot of resources and use external knowledge to a large extent, enables them to take more radical and direct steps. Concerning access to external knowledge Nordström also suggests that the explanatory value of the model is undermined. Nordström moreover says that the homogenization of the world undermines the explanatory value of the Uppsala research. The homogenization could be an additional explanation for why our case companies have been able to take more radical first initiatives, and with that not behave as suggested. Thus those factors may also explain the Uppsala-research's inability to fully describe the behavior of the case companies.

In the model below we have visualized the factors we firstly believe undermine the explanatory value of the Uppsala-model and its operationalizations for the internationalization process of the case companies.

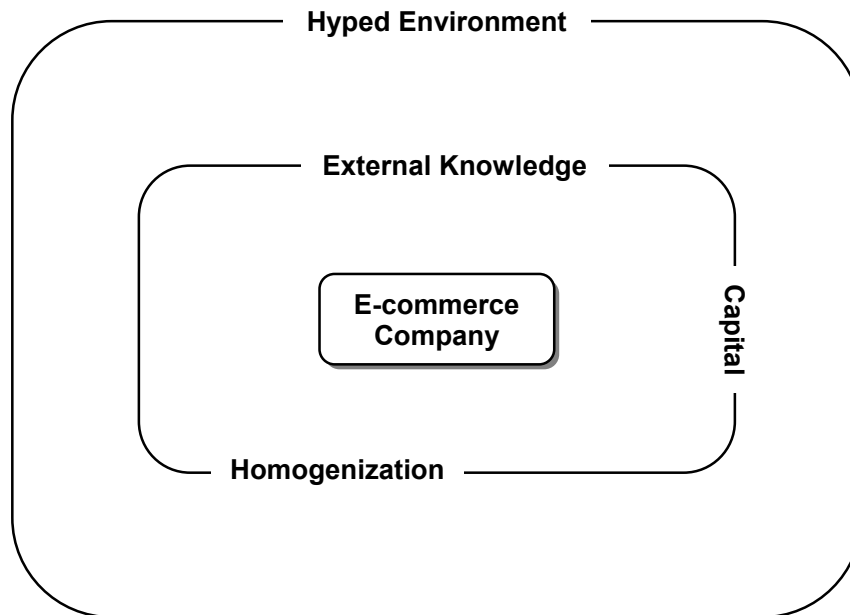


Figure 5.1: Factors undermining the Uppsala-model and its operationalizations' explanatory value for the internationalization process of the case companies

Source: Own model

The model shows three factors that we believe directly influence the case companies, external knowledge, capital, and homogenization, and enable them to behave in another way than suggested by the Uppsala researchers. The use of external knowledge gained from consultants, local personnel, and through outsourcing, decreases the need for the company to acquire its own knowledge through experiential learning. The owners provide the companies with capital, and enable but also stress a fast and radical internationalization. That the world becomes more homogeneous, partly due to the development of the Internet, might influence the internationalization process, meaning that the companies will not be afraid of taking more direct steps when entering new countries. As we see it these three factors all lead to companies being able to move very fast and take radical establishment initiatives.

The companies also work in a hyped environment, as described in 5.1, which we think drives the internationalization process of these companies. This type of companies is nowadays given a lot of attention, especially from venture capitalists. Much of the business logic is built on prognoses and a fast landgrabbing to take market shares before the competitors are in focus.

5.3 What Critical Issues Have to Be Taken into Consideration?

In the introduction to this thesis we presented the thought-provoker if it is true that e-commerce companies turn global over night. According to our study the answer to that question is no. Of course the Internet provides the possibility to become global over night, meaning that a company can reach customers all over the world as long as they have Internet access. From our case study though, it can be concluded that it is possible to become a global player fast on the Internet, but the local adaptation to the host countries is of uttermost importance.

From the interviews it became clear that the case companies think it is crucial to internationalize an e-commerce company fast. The hyped environment and the pressure from investors and competitors are some factors driving the impressive pace at which those companies move to new countries.

To build a strong brand in every country entered is, according to the case companies, extremely important in order to get attention from the customers, the media, and potential partners. A strong brand would attract the customers to the web site. Thus, technology becomes an important factor, a precondition for the survival of e-commerce companies. If the web site is down, the company does not “exist”. Another precondition for the internationalization of the case companies is to have capital covering the expansion.

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APPENDIX I

THE RESEARCH PROCESS

Theoretical Approach

The theoretical framework for this thesis is mainly collected from an empirically well tested theory about the internationalization process of a firm, the Uppsala-model and its operationalizations. The question that should be answered is how Swedish e-commerce companies are internationalizing into new markets, and why they are doing it in a certain way. A study of four companies has been conducted with the Uppsala-model and its operationalizations as a framework for investigating and analyzing the empirical material. Thus, the theory provides a tool for what is to be observed and what information is to be collected. It will be analyzed if the e-commerce companies internationalize to new companies as suggested by the Uppsala researchers, or if they have adopted new ways of internationalizing.

Sources of Inspiration and Information

At a very early stage of the process, before we had decided upon a problem to investigate, we had some informal conversations about possible problems connected to the Internet with Magnus Envall and Martin Sande at Preera AB, and Bengt Örnegren at Guide Konsult AB. In May we listened to Jonas Birgersson, the founder of Framfab, and Bo Dahlbom, professor in informatics at the School of Economics and Commercial Law at Gothenburg University, talking about the “new economy” and how it influences ways of doing business. This presentation increased our interest for the problem area.

In September we were accepted to Andersen Consulting’s “thesis program”, and together with our tutors Christina Arnell and Lena Karlsson we formulated the problem investigated in this thesis.

With the problem statement in our hand we had some informal talks with Mattias Larsson and Rickard Ericsson at Adera and Niklas Lohmann and Tony Dennstam at Connecta i2i, all considered experts on electronic business. The purpose was to get some more general knowledge about the topic and what could be important to reflect upon in research like this.

We also listened to Ola Ahlvarsson, one of the founders of Boxman, who gave a presentation at the School of Economics of Commercial Law about how e-commerce companies internationalize their businesses into new markets. Another interesting person we met was Felicio de Costa at Result Venture Knowledge, a company working with the international-ization of e-commerce companies. Felicio has experience from the internationalization of both Boxman and Dressmart, two of our case companies. This interview was helpful to us in the sense that we got some valuable perspectives on the internationalization of e-commerce companies. However no case specific information could be used from this interview.

Throughout the semester we have had numerous meetings with the program coordinator Torbjörn Stjernberg, our tutor at the School of Economics and Commercial Law, Björn Alarik, and our tutors at Andersen Consulting, Christina Arnell and Lena Karlsson. With Björn and Torbjörn we have mainly discussed the structure of this thesis and research related questions. From Christina and Lena we have received continuous feedback on our writings and fruitful discussions on the topic have been held.

During the thesis process we have also had the invaluable opportunity to bandy our problem with one of the founders of the Uppsala-model, Jan-Erik Vahlne. With Jan-Erik we have mainly discussed theoretical issues but he has also given us some general useful advice.

Data Collection

We looked in to Yin (1994) to find out if a case study was the appropriate research strategy for us to conduct. “In general, case studies are the preferred strategy when “how” and “why” questions are being posed, when the investigator has little control over events and when the focus is on contemporary phenomenon within some real-life context.” (Yin, 1994, p. 1) Due to the type of questions we have asked ourselves in the problem statement, how an e-commerce company internationalizes and why it does it in a certain way, we considered a case study to be most suitable. Also the fact that we were to focus on a continuously on-going event, the internationalization process, a real-life phenomenon hard to distinguish from its context, made the choice fall on a case study. The cases in our situation are four e-commerce companies Bokus, Boxman, Dressmart, and LetsBuyIt.

Primary and Secondary Data

As much information about a few case companies was to be collected, we decided to gather our primary data in a qualitative manner. A structured interview guide with open overall questions, where the theory has worked as a source of inspiration, was used. The interview guide is found in Appendix 3. The purpose for this choice of interview technique was that we neither wanted to steer the respondent too much with the risk of losing valuable information, nor to make it too informal as it was necessary to be able to analyze the answers against theory (Jacobsen, 1993). This approach also gave us the possibility to follow up with additional questions to gain a deeper understanding or to clear up eventual misunderstandings. During the research process the interview guide was slightly developed as we discovered some additional questions that were appropriate to ask.

The intention was to interview more than one person at top management level familiar with the internationalization of the company. Due to an extremely tight time schedule though, the companies had no possibility to

take on our requests. The interviews have varied between one and two hours in length and with every company a few follow-up questions were asked over telephone. The interviewees all had positions in the top management, which we thought was necessary as the questions to which we wanted answers were more or less of a strategic character. At Bokus we talked to CEO Jerker Nilsson, at Boxman International Marketing Manager Anders Karlberg, at Dressmart Country Manager Sweden Annika Järund and Customer Relationship Manager Martin Geber, and at LetsBuyIt CEO for the Nordic countries, Michael Freudenthal.

All the interviews, which were all held in Swedish, were recorded on tape and typed word by word afterwards. Each and every interview has been carefully listened through to avoid possible misunderstandings. The interviewees all got the chance to look at and comment upon how the results from the meetings were used in the thesis. Moreover, we did one of the interviews one week before we did the remaining three. The order in which we carried out the interviews and the recording of them has also been valuable to us in the sense that we have had the possibility to improve the interview process along the way.

Before we did the interviews, we had been reading about the companies to be prepared and trying to make the interview process as smooth as possible. Each interview with the case companies was carried out in a similar way. We introduced ourselves and described the purpose of our study. First we asked the interviewees to briefly describe the company, e.g. marketing, logistics, organizational structure, goals and visions etc. The second part of the interview focused on the companies' expansion to different countries and the establishment procedure in new foreign countries. Finally we asked the interviewee some overall questions about the internationalization process. The questions overlapped each other as the interviews had more of a discussion character. To the greatest possible extent we have used company material to confirm and complement the results from the interviews.

Our secondary data has been collected through extensive literature search in libraries and databases in Gothenburg, Stockholm and Lund. Books, web pages, journals, newspapers, magazines, company material – they have all been under our magnifying glass.

Choice of Case Companies

The choice of the examined companies was made after a thorough investigation of those e-commerce companies that had started their expansion to foreign countries from Sweden. We talked to our tutors at Andersen Consulting and people in business to find our case companies. We also used the Internetworld's list of the Swedish top 100 web sites 1999 (Internetworld, 1999), went through them all, and compared them with our delimitations. The amount of companies fitting our criteria was very limited. We found five companies that we contacted, but one of these did not want to be interviewed and participate as a case company in this thesis due to lack of time. The case companies investigated are as mentioned Bokus (books), Boxman (CD's, DVD's, videos, and leisure software), Dressmart (clothes, accessories, and shoes), and LetsBuyIt (co-shopping).

The case companies were first contacted by telephone and by e-mail. All case companies got the interview guide in advance. Some of the companies also wanted to see the interview guide before making up their minds about letting us use their companies as research objects. Before handing in the final version of this thesis all case companies got the chance to approve of the content.

Method for Analysis

Throughout the working process we have tried to act as proactively as possible. We have been working on all parts of the thesis simultaneously. Along the way we have tried to see what consequences the result of the

interviews would have on future analysis and which possible conclusions could be drawn.

A previously developed theory, the Uppsala-model and its operationalizations, is used as a template with which we compare the empirical results of the case study (Yin, 1994). We have related the data gathered from every case to some of the theory's proposals about the internationalization process of a firm.

In chapter four we present the results of the empirical study together with the analysis of the findings with the aim of addressing the purposes of this thesis. We have taken one phenomenon at a time, presented the results and in connection an analysis as thorough as possible has been made. The disposition of chapter 4 was firstly chosen with a simplification motive in order for the reader to be able to follow our reasoning. We have used quotations to a large extent. The reason for this is that we thought that the interviewees' own words could best describe and explain certain issues. Sometimes a quotation has been used to state an example, and sometimes many quotations have been used to show that the majority of the companies agreed upon a certain matter.

The structure of the first two parts of the chapter, 4.1 and 4.2, is built around the two operationalizations of the Uppsala-model, development within a specific country and development across countries. First the result from each company is exposed under each topic and in connection an analysis about perceived behavioral patterns and comparisons to the specific operationalizations are made. After the second operationalization, development across countries, a part dealing with alternative important factors for development across countries is presented. This part follows the same structure as the two previous.

Secondly a discussion about findings from the four case studies in relation to the Uppsala-model is found in 4.3. The findings are discussed out from the propositions of the model and our analysis is put forward. The chapter continues to discuss deviations from what the theory has suggested and our ideas about probable explanations.

Last a part about critical issues for the internationalization process of these e-commerce companies is presented in 4.4. This part is mainly based on what the case companies have pointed out as important factors.

Validity of Data and Analysis

We have tried to make our study as trustworthy as possible, although we have not actually measured its validity and reliability. Before building the interview guide and formulating the questions within it, we made sure that both of us had reached an understanding concerning our theoretical framework. A result of this was that the interview guide covered all parts of our theory used. Moreover, it also made us more flexible when carrying out the interviews, meaning that during the interviews we could understand how the answers would affect our analysis and in addition to that we could ask complementary questions. We also had our supervisor and tutors to comment upon the interview guide before we carried out the interviews. As mentioned earlier we wanted to interview more than one person at management level at each company, which would have increased the validity of the data collected. Due to time aspects this was however not possible.

Case studies also often get criticized for providing little basis for generalization (Yin, 1994). In our case, the case study is not a sample of which statistical calculations can be made. We rather wish to test if the theory can be used for describing the behavior of the case companies.

Due to the amount of companies investigated, it is not possible to generalize the results of our case study. The result only describes how the case companies investigated internationalize their businesses but it is plausible to assume that similar companies could behave in a similar manner. The data collected from the interviews can be seen as information that guides us, against an understanding of how these four companies act.

We have tried to ensure the reliability of this study by:

- ✓ Using a well thought through interview guide.
- ✓ Interviewing people in the top management as the problem at hand is of a strategic nature.
- ✓ Trying to meet the interviewees in places where they could not be easily disturbed.
- ✓ Recording the interviews and rewriting them word by word.
- ✓ Trying not to have a biased view on our findings and conclusions from the interviews.

The Authors' Ambition and Intended Contribution to Research

At the very beginning of the production of the material at hand, the authors decided to set up some important criteria for the design of the final product. The first criterion was that the topic should be new and “on the edge”. Second, it should give us something very useful for our future working lives. Third, we wanted to make a contribution to research within the problem area. Fourth, the thesis should be written in an easily understandable and teachable way. The fifth and final criterion was that anything irrelevant for fulfilling the purpose of this thesis should be left out.

The main ambition of this study is to contribute to the knowledge about the internationalization process of e-commerce companies.

APPENDIX 2

THE INTERNET

Technology and globalization have together created and eased a new market opportunity with a whole new set of market dynamics – the Internet (Kalakota and Whinston, 1997). Downes and Mui (1998, p. 41) advise us to: “Think of the Internet not as a network of connected computers but as the testbed for a new market economy, one that is global, continuously operating, and increasingly automating the processes of buying, selling, producing, and distributing.” Rayport and Sviokla (1994) discuss this issue and take their point of departure from two different worlds, one traditional, physical world with touchable resources and a virtual one made of information. They refer to this new information world as the *marketspace* to distinguish it from the traditional marketplace.

Downes and Mui (1998) claim that the Internet has developed into a commercial environment, an open market in the truest sense of the word. It is also said to be the base for a business environment where time, distance, location, and communication are no longer hurdles for doing business (Mougayar, 1998).

The History of Internet

The beginnings of the Internet go back to the late 1960’s, when a team of scientists from the Advanced Research Projects Agency (ARPA) of the Department of Defense formed ARPANET. The agency was established in the late 1950s to develop information technologies to help the USA to counter the Soviet launch of Sputnik. The ARPANET was intended to be used for discussing research. Consequently, the ARPANET consisted primarily of research universities and military contractors with computers linked by telephone lines. Soon though, the scientists realized that the network could be used for other applications, and more and more people

wanted to get on the ARPANET and share the information they had in their computers, as they learned about the benefits of electronic communications. (Kalakota and Whinston, 1996; Maitra, 1996). In the course of time, the Internet has grown at an astonishing rate. See figure 1 and table 1 and 2.

The World Wide Web

The World Wide Web (WWW) has quickly become "the" standard for navigating, publishing information, and executing transactions on the Internet. The Web is a collection of distributed documents referred to as web pages located on computers and/or servers all over the world. Servers store hypertext markup language (HTML) files and respond to requests. Through the use of a browser, e.g. Netscape Navigator or Microsoft Explorer, computer users can find and view server-based documents. The browser ensures easy access to the server-based documents and it displays the multimedia data (Kalakota and Whinston, 1997).

The Development of Internet

In June 1999, Morgan Stanley Dean Witter presented *The European Internet Report* (Winram and Steib, 1999). Morgan Stanley Dean Witter's forecast shows dramatic growth for the Internet in Europe. Today, 34 million adults regularly access the Internet in Europe, equivalent to 8,8 percent of households and 12 percent of the adult population. It is forecasted that the rate of adults in Europe with access to the Internet will increase to 35 percent by year 2003, which will give a market of over 100 million users. The development is predicted to occur because several European countries (Finland, Norway, and Sweden) have achieved a 30 percent household penetration already. The USA has a total Internet penetration of 32 percent, which corresponds to 64 million people.

In figure 1 the Internet trends for Europe are presented and in table 1 and 2 the Internet penetration for each of the European countries are presented.

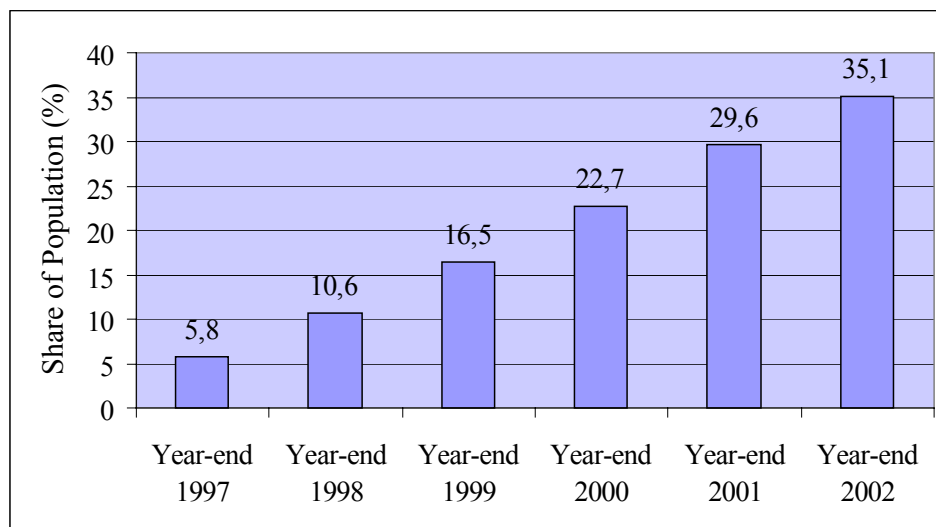


Figure 1: Internet penetration trends in Western Europe

Source: Winram and Steib (1999)

	Internet Users (m)	Total Population (m)	Proportion of Population ⁸ (%)
Finland	1,57	5,1	30,8
Norway	1,34	4,4	30,5
Sweden	2,58	8,8	29,3
Denmark	0,95	5,3	18,0
Switzerland	1,00	7,1	14,1
UK	8,10	58,1	13,9
Netherlands	1,96	15,3	12,8
Germany	7,14	82,1	8,7
Belgium	0,79	10,2	7,7
Ireland	0,26	3,7	7,1
Austria	0,54	8,1	6,7
Spain	1,98	39,3	5,0
France	2,79	58,6	4,8

⁸ Based on the total population, households including children

Italy	2,14	57,6	3,7
Portugal	0,26	10,0	2,6
Greece	0,24	10,5	2,3
Europe	33,6	384,2	8,8

Table 1: Internet penetration in Europe 1998 ranked by penetration rates
Source: Winram and Steib (1999)

	Internet Users (m)	Total Population (m)	Proportion of Population⁹ (%)
UK	8,10	58,1	13,9
Germany	7,14	82,1	8,7
France	2,79	58,6	4,8
Sweden	2,58	8,8	29,3
Italy	2,14	57,6	3,7
Spain	1,98	39,3	5,0
Netherlands	1,96	15,3	12,8
Finland	1,57	5,1	30,8
Norway	1,34	4,4	30,5
Switzerland	1,00	7,1	14,1
Denmark	0,95	5,3	18,0
Belgium	0,79	10,2	7,7
Austria	0,54	8,1	6,7
Ireland	0,26	3,7	7,1
Portugal	0,26	10,0	2,6
Greece	0,24	10,5	2,3
Europe	33,6	384,2	8,8

Table 2: Internet penetration in Europe 1998 ranked by number of users
Source: Winram and Steib (1999)

⁹ Based on the total population, households including children

Electronic Commerce

Companies have been using the Internet for various reasons, mainly trying to communicate with their stakeholders by publishing content on their web server for widespread distribution. Motivated by the growing potential of the Internet, companies are lately taking steps toward selling their products on the Internet (Kalakota and Whinston, 1997). More and more people start using the Internet, and the market for on-line sales of goods and services are predicted to keep growing (Winram and Steib, 1999; Tweney, 1998). GartnerGroup predicts that by the year 2000, nearly 60 percent of companies worldwide will engage in some type of Internet commerce (Dalton, 1999). In year 1998 people spent USD 298 million on European web sites and this figure is predicted to increase dramatically, shown in figure 2. The equivalent amount in the USA in 1998 was USD 8 billion, a figure estimated to reach 76 billion in 2002.

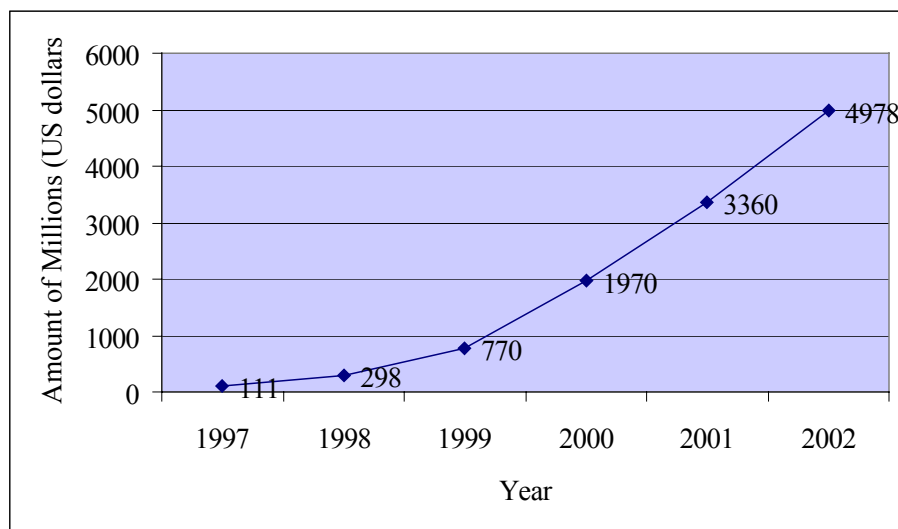


Figure 2: Consumer spending at European sites 1997-2002
Source: Winram and Steib (1999)

Electronic commerce is said to be the solution that is driving an entirely new kind of commerce revolution that provides an environment for a more intelligent, productive, and responsive relationship to customers (Salnoske

and Dulow, 1999; Wilken, 1999; Romm and Sudweeks, 1998; Riggins, 1998).

When it comes to defining the concept of electronic commerce, the terminology has not yet matured, and it seems as if researchers are still searching for a common ground to rest on. One of the most common definitions of the concept is "the buying and selling of products and services over the Internet or other electronic networks" (Mougayar, 1998, p. 11). Describing or defining electronic commerce is also a matter of how you look at the concept. Depending on which lens you use when viewing the electronic commerce landscape, different definitions can be seen.

Characteristics of the Internet

A Global Marketplace - Time and Space Loosing Its Importance?

Internet is a global marketplace in the sense that every nation having the accurate technology can provide its inhabitants with access to this worldwide network. Western Europe and Northern America are the geographical areas leading the development. USA and the Nordic countries are the countries with the highest percentage of Internet users. (Winram and Steib, 1999)

Internet means new opportunities for companies. Small ones can expand geographically and get into markets in a way that earlier was possible only for the international giants. This is one sign that new rules make themselves heard in the market (Jedbratt, 1999). "Even resolutely local firms must now compete with global products in their own backyard. The global marketplace is not elsewhere but everywhere." (Wendt; according to Jedbratt, 1999, p. 41)

The word *marketspace* describes the shift from focus on the physical place to a place more abstract (Rayport and Sviokla, 1994). Mougayar (1998)

writes that time, distance, location, and communication are no longer obstacles for doing business. Of course this opinion can be questioned, as it depends on what kind of products or services are sold. Everything on the Internet takes place in real time. In this marketplace, information, contacts, deliveries, practically everything happens immediately (Ström, 1998). When discussing this issue, one has to distinguish between communicating and selling.

In the physical world “location, location, location” is said to be important, on the Internet it is said to be "content, content, content” that counts (Mougayar, 1998). The importance of space diminishes on the Internet. All kinds of information can be moved over distances very easily. Geographical distance is said to be meaningless on the Internet, or at least to take little meaning (Riggins, 1998). Again, these kinds of discussions can be questioned and viewed from a critical perspective. Communication and delivery of digital products can take place in real time, but to send physical goods is still time-dependent.

A Different Value Chain?

What happens with the traditional value-chain on the Internet? One obvious scenario is that the old chain is getting shorter, as shown in figure 3 and 4, and therefore more efficient both for the manufacturer and the customer. The customers can more easily find products and prices, and manufacturers can reach the customers by bypassing one or several layers of the traditional value-chain (Ghosh, 1998; Mougayar, 1998). It should be remembered though, that the Internet provides an environment that helps new intermediaries to replace old ones (Ström, 1998). Due to the Internet’s more efficient information sharing and transactional capabilities, much of the traditional value provided by physical retailers – spreading product information, helping customers make buying decisions, ordering, and providing follow-up support – is being eliminated (Aldrich, 1997). The

early adopters of electronic commerce are companies selling standardized products, e.g. books, CD's, and computers.

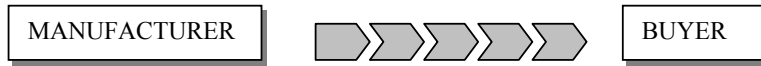


Figure 3: The traditional value-chain

Source: Mougayar (1998)



Figure 4: The new value-chain

Source: Mougayar (1998)

A Power Shift between Seller and Buyer?

“Control the customer and you control the sale” (Graham, 1998, p. 9). This was the motto used by generations of successful retail salespeople who knew that they could do it as long as they met the customer face-to-face. Today though, the Internet has in many cases taken the sales-role from the retailer.

The Internet is said to be more buyer-driven than seller-driven. In a buyer-driven model the customer is getting empowered to gain control of the buying process (Mougayar, 1998). New technologies also enable web sites to act like price agents. Their function is to hunt down everyone on the Internet selling a particular product and sort them by price. Whatever a company may do to establish a brand identity, or improve service, on-line agents want one thing only: the lowest price (Kedrosky, 1999). One example in Sweden is www.bokfynd.nu, comparing book prices. Another one is www.comparenet.com that compares a large range of different products on the Internet. Community shopping (co-shopping) and auctions are other phenomena that give the power to the customer (Ström, 1998). These are other reasons why the Internet is becoming more buyer-driven,

and why the power is becoming more and more customer-possessed. In figures 5 and 6 the two different models are presented.

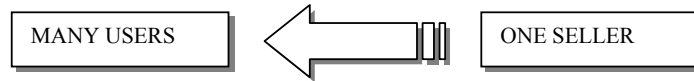


Figure 5: Seller-driven model
Source: Mougayar (1998)

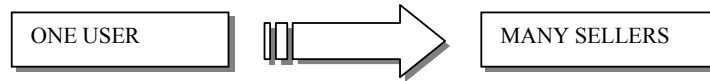


Figure 6: Buyer-driven model
Source: Mougayar (1998)

A New Customer Relationship?

The early success of many of the Internet based companies can be attributed to their superior understanding of how the Internet can be used to alter the interaction between a company and its customers (Riggins, 1998). With the Internet customers get an increased possibility to get access to and search for information and products, and compare different offers. As a consequence companies must concentrate on creating personal relations with every customer (Jedbratt, 1999; Malcolm, 1997).

Physically, the distance between the buyer and the seller increases when meeting on the Internet. Technology though, provides direct access and contact with the customer and also information about them. Besides a compelling web site that provides an interesting and enjoyable shopping experience, companies can use one-to-one interaction or community creation (Malcolm, 1997; Pepper et al, 1999). One-to-one interaction can be accomplished with help from databases and new Internet technologies. One-to-one interaction makes it possible for the seller to get a more precise picture of each customer's preferences and buying behavior and thereby personalize offers to the customer and with that build customer loyalty (Salsnoske and Durlow, 1999; Ghosh, 1998; Guay and Ettwein, 1998;

Riggins, 1998). Community creation, e.g. on-line clubs or forums, makes it possible for customers with similar tastes and needs to communicate with each other, which further creates extended value and brand loyalty (Corcoran, 1999; Malcolm, 1997).

Ström (1998) says that in a sea of products and services served on the Internet, a company's brand gains tremendously in importance. The expression "if you are not seen, you do not exist" is truer than ever, he says. Brand building is crucial on the Internet, because there is no way to get customers to the firm's "store" if they do not know the brand.

APPENDIX 3

INTERVIEW GUIDE CASE COMPANIES

The following questions should be seen as a framework and a discussion guide. We are aware of the fact that some questions are alike, but the purpose is to create a discussion that treats our problem from different perspectives.

Company-specific Questions

- ✓ Please tell us a little about your company. (Organization, products, logistics, marketing etc.)
- ✓ What are your goals and visions?
- ✓ In what way is the internationalization process a part of your total strategy?

Development across Countries

- ✓ What factors do you take into consideration when choosing countries that are interesting to you?
- ✓ Why did you choose to expand to new markets?
- ✓ In which countries have you established your company?
- ✓ Describe your internationalization in chronological order?
- ✓ Why did you choose to establish yourself in this specific order?
- ✓ Why did you go to country 1 first?
- ✓ How did you prepare yourself?
- ✓ What problems have you run into?
- ✓ Could you have done anything better?
- ✓ If you had the possibility to re-start your internationalization process, what would you have done differently

Development within a Country

- ✓ How did you go about establishing yourself in country 1?
- ✓ Why did you choose to go about it this way?
- ✓ How have you organized yourself in the different countries?
- ✓ Have you done it the same way in all countries that you have entered?
- ✓ If not, how have you done it? Why have you not done it the same way?

Overall Internationalization Questions

- ✓ Was it decided from the beginning that you should expand to other countries?
- ✓ What is most important to think about when it comes to internationalization?
- ✓ How is the internationalization process influenced by the fact that the internationalization takes place on the Internet?
- ✓ What factors have influenced your internationalization? Which role do the investors/owners have in your internationalization?
- ✓ What are the advantages with this form of internationalization?

Thanks!

INTERVJUGUIDE FALLFÖRETAG

Följande frågor bör ses som ett ramverk och en diskussionsguide. Vi är medvetna om att ett par frågor går in i varandra, men syftet är att skapa en diskussion som behandlar vårt problem från olika perspektiv.

Företagsspecifika frågor

- ✓ Var snäll berätta lite om ert företag. (Organisation, produkter, logistik, marknadsföring etc.)
- ✓ Vad har ni för mål och visioner?
- ✓ På vilket sätt ingår internationalisering som en del av er totala strategi?

Utveckling mellan länder

- ✓ Vilka faktorer tittar ni på när ni väljer vilka länder som är intressanta för er att expandera till?
- ✓ Varför valde ni att expandera till nya, utländska marknader?
- ✓ Vilka länder har ni etablerat er i?
- ✓ Beskriv er internationalisering i kronologisk ordning.
- ✓ Varför valde ni att etablera er i denna ordning?
- ✓ Varför gick ni till land 1 först?
- ✓ Hur förberedde ni er?
- ✓ Vilka problem har ni stött på?
- ✓ Kunde ni ha gjort på något bättre sätt?
- ✓ Om ni hade fått starta om er internationaliseringsprocess, hur hade ni gjort då?

Utveckling i ett land

- ✓ Hur gjorde ni när ni etablerade er i land 1?
- ✓ Varför valde ni att göra på detta sätt?
- ✓ Hur har ni organiserat er i de respektive länderna?
- ✓ Har ni gjort likadant i alla länder ni gått in i?
- ✓ Om inte, hur har ni gjort? Varför har ni inte gjort likadant?

Övergripande frågor

- ✓ Var det bestämt från början att ni skulle expandera till nya länder?
- ✓ Vad är det viktigaste att tänka på vid en internationalisering?
- ✓ Hur påverkas internationaliseringsprocessen av det faktum att internationaliseringen sker över Internet?
- ✓ Vilka faktorer har påverkat er internationalisering? Vilken roll har era finansiärer/ägare spelat i er internationalisering?
- ✓ Vilka är fördelarna med att internationalisera sig på detta sätt?

Tack!