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**The internationalization process of digital service providers  
– The role of an intermediary**

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## **Abstract**

The rise of technological development has changed the conditions for companies internationalization process. Today, smaller firms are able to quickly internationalize on a global scale with the help of digital innovations, which questioning former traditional internationalization theories. The amount of service firms is emerging and expanding abroad more than ever before, especially within the digital service provider sector. They lack geographical boundaries and are born into a global digital environment. However, operating on a global basis does not mean having direct access to local markets. Still, traditional exporting via foreign intermediaries is recognized as one reliable method when expanding into new markets. The incentives for companies to reach out to intermediaries are primarily the lower financial risk together with the valuable local market knowledge that the foreign intermediaries possess.

Nevertheless, internationalization processes today are frequently relying on relevant studies conducted within the manufacturing industry, creating a theoretical gap between current internationalization behaviour and the new area of digital service providers. The findings from this study will show how internationalisation unfolds when dealing with intermediaries in the DSP sector and what significant role the intermediaries play. Our contribution to the internationalization literature concerning intermediaries within the DSP sector includes their willingness to internationalize mutually on new markets. Finally, this study illustrates the importance of access to local networks in order to scale internationally. Since DSP's have no geographical rootedness, intermediaries provide DSP's with access and local knowledge to easier expand into new markets.

## **Abbreviations**

DSP – Digital Service Provider

PaaS – Platform as a Service

CRM – Customer Relationship Management

B2B – Business to Business

## **Key words**

Digital services, Born global, Internationalization, Intermediaries, Networks

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## **1. Introduction**

*This chapter will introduce the definition of digital service providers and the characteristics for the industry in which they operate. Further on we will explain the problems related to internationalisations for DSP's and how intermediaries play an important role in their expansion. Lastly the main research question and the sub research question for this study are presented, ending with the delimitations of this study.*

### **1.1 Background**

Digital service provider, hereafter written as DSP, is defined as a company which core business is providing digital services. Emphasise are put on the value transaction to the end user which is transferred in the form of a digital service and where the main offering of DSP must be a digital service (Yonatany, 2011). The unique advantages of DSP's is that they are build on the principles of Internet service delivery, where the architecture of the value transaction is seamless, automated and rather simple from a user experience perspective (IBM, 2014).

The evolving digital landscape of today offers opportunities for firms to create new services and new choices for consumers to consume. The backbone of innovations within the scope of DSP is often characterized by scalability and focus on service providers, driving almost all interactions online and across devices (IBM, 2014). Companies like Google, Spotify and Netflix are examples of key players within the industry, which continuing to improve additional ways for their users to consume more services. However, the firms providing digital services is due to two reason complex and therefore difficult to define; first, there is no physical production within these companies, involving machines and materials. The value that the firm offer is developed and produced by skilled workers, such as engineers, programmers and designers and thereby transmitted online. Second, with the help of Internet, these companies have created a universal arena, making geographical location of production less important. With the rise of DSP, the locations of servers or programmers are less significant in a world of information flows, reflecting the theory and phenomena of born globals by Oviatt and McDougal (2004), where companies accelerated their internationalization without massive resources and former experience (Yonatany, 2011).

However, DSP still have to internationalize and expand their businesses and reach local markets on a global scale. Local intermediaries therefore play a significant role for a further expansion and local market penetration.

## **1.2 Problem discussion**

Internationalization of DSP's is an important area of research as the amount of service firms are emerging and expanding abroad more than ever before according to the UN's annual report World Economic Situation and Prospects 2015 (UN, 2015). Despite an increasing importance of trade and investment in services, there is still a lack of research within the area of internationalization of DSP including the role of intermediaries in the expansion process. Today, service firms are internationalizing quicker than ever before. However, these internationalization processes are frequently relying on relevant studies conducted within the manufacturing industry, creating a theoretical gap between current internationalization behaviour and the new area of DSP (Javalgi, 2007). Contradicting traditional producing companies of tangible goods, DSP lack geographical boundaries since they depend on digital distribution over the Internet and are often described as born global. However, having a local rootedness in the international expansion process is important (Wentrup, 2016; Yonatany, 2011).

Traditional exporting via foreign intermediaries is one of the major paths a firm can take when expanding their business globally according to traditional internationalization theories. Via the intermediary an access to a new local market is introduced. The lower financial risk together with the foreign intermediates local market knowledge is two of many reasons for choosing foreign intermediary. Also, with the help from a local intermediate the liability of foreignness is expected to decline. However, what is expected is not always the outcome. A risk when dealing with intermediaries is that they are not connected enough with the local knowledge and equipped with connections to important and influential business networks. This is characteristic for the phenomena liability of outsidership and is according to Johanson and Vahlne (2009), a major problem for firms when trying to internationalize and enter a new market. They believe that a firm must establish one or more networks in order to achieve success and that all type of actions are within the context of a relationship between the actors. As an "insider" within the network, the firm learn, build trust and commitment between the partners, all key components in an internationalization process (Johanson and Vahlne, 2009).

## **1.3 Research question and purpose**

Connecting the classic theories on the internationalization process stated above with the less explored area of DSP global expansions strategy awakes an interesting research question:

- **How are internationalization and intermediaries interconnected within the digital service providers sector?**

In order for us to answer our main research question we find it important for us to look at the following sub research question:

- *What role does an intermediary have with regard to internationalization within the digital service providers sector?*

The purpose of this study is to describe how internationalization unfolds when dealing with intermediaries within the digital service sector and the role of intermediaries in regard to internationalization. With the help of a case study of Universal Avenue, a rather new intermediary within the sector of DSP, we wish to contribute valuable information, which can be interesting for future research within the discussed area.

#### **1.4 Delimitations**

The development of service firms continues to grow with each year (UN, 2015), giving us the opportunity to investigate on how these firms internationalize. We have decided to look further on how digital service providers, often seen as global actors from start, enter local markets with the help of intermediaries. Due to our established connection with Universal Avenue, a Swedish founded intermediary within the DSP sector, we have chosen to conduct a single case study on their practices.

#### **1.5 Disposition of the study**

*The thesis consists of seven sections containing headlines and subtitles: introduction, methodology, theoretical framework, empirical data, analysis, conclusion and references. The seven sections are outlined as followed:*

##### *1. Introduction*

The introduction chapter provides the reader with a background description to the chosen topic, including the problem discussion, which highlights the lack of previous research within the field of digital service providers. After that the purpose of the study, the research question and the delimitations of the thesis are presented.

## *2. Methodology*

The methodology part describes and clarifies the different methods chosen for our study. It explains the research process, collection of empirical data and how we have conducted the analysis process. It also emphasizes the quality of the study and which measures that has been taken in order to maintain a high credibility. This part also illustrates the limitations of the study.

## *3. Theoretical framework*

In this section, our theoretical framework of former established business theories is presented. Initially the Uppsala model from 1977 and the revisited Uppsala model from 2009 are described, which focus on learning and networks. Thereafter the born global theory and traditional foreign indirect export theory is introduced, offering an understanding of the relationship between internationalizing companies and intermediaries.

## *4. Empirical data*

This section is based on our qualitative interviews, conducted with three different persons on Universal Avenue. The empirical part mainly features the foundation of Universal Avenue, how the company internationalize and their role as an intermediary.

## *5. Analysis*

In this section we connect our empirical finding and compare it to the chosen theoretical framework and thereby identify similarities and differences, which can help us to answer our research question. In this part we argue for our finding and what implication and contributions they may have for the field of area.

## *6. Conclusion*

The conclusion stresses our finding in the perspective of its contribution to the chosen field of research. In this section we will also give implications for future research.

## *7. References*

The different sources of data used to build this study are featured in this part, including the interview respondents.

## **2. Methodology**

The following chapters describe the collection method of empirical data, including motivations of sources chosen and their contribution to our conducted study. It also describes our methods regarding interviews and personal contact with the chosen company in order to create and contribute an overview of Universal Avenue as an intermediary within DSP sector. As all studies conducted within a new area of research, this study has its limitations (Bryman & Bell, 2011). The identified limitations are described, including the methods taken in order to overcome these limitations mentioned. Due to the lack of previous research within the chosen area of digital service sector and intermediaries, it is important to point out that the theoretical framework of already well-established internationalization models may not be fully adaptable to this rather new sector.

In order to get a deeper understanding regarding internationalization within the DSP sector and the role of intermediaries within the industry, we have chosen a qualitative case study of the intermediary Universal Avenue. Our aim with this case study is to see how internationalization and intermediaries are interconnected within the digital service provider sector and thereby offer a revised research, which could question current internationalization theories. If successful, this case study will indicate a demand of new research within the discussed topic and contribute with its findings.

### **2.1 Research Approach**

The theoretical fundamentals of our case study are based on established internationalization business theories with an intermediary focus, especially towards the DSP sector. The theoretical framework is very important for our study to show proof of any new developments within the service sector and possible opportunities and effects of intermediaries. With the conducted study we aim to answer our main research question and our sub research question regarding internationalization of intermediaries within the digital service sector and their role. We wish to illustrate a possible development of intermediaries and put these developments against a theoretical framework, in order to contribute and show new areas of interest for future research.

Since there is a lack of research within the area of internationalization of DSP and the role of an intermediary we have conducted a qualitative study (Javalgi, 2007). We found this research approach essential in order to give a high quality substance and credibility to the study. A

qualitative research study is more suiting and provides more details regarding a subject which is not well defined and where exploration is needed (Bryman & Bell, 2011). Further, we combined our semi-constructed interviews and secondary source data collection in order to get a deeper understanding of their processes. The collected data was analysed against the theoretical framework, where an abductive research method was applied, in order to see patterns and draw conclusions of our study (Dubois & Gadde, 2002).

### *2.1.1 The Single Case Study*

Depending of the research area and the purpose of the study, different research approaches are more suitable in order to achieve the best and accurate result. Observations, focus groups and surveys are some methods of gather and examine empirical findings (Bryman and Bell, 2011). This study employs a single case study approach and the reason for this is to get a deeper understanding of an intermediary's role of DSP's internationalization process. Focusing on one company with in-depth interviews is highly relevant, as these focused empirical findings will contribute with knowledge to answer our research questions. However, if we were looking for a general explanation on the subject, this research would not be optimal (Bryman and Bell, 2011). But the internationalization process of DSP's is a rather unexplored research area. Therefore, we hope our findings through this single case study will contribute to further research within the area.

### *2.1.2 Choosing the Case Study*

Our chosen company Universal Avenue have proven our purpose that there is a lack in existing internationalization theories. Their innovative role as an intermediate within the DSP is an unexplored research area. The choice of case study can be seen as both an example of purposeful and as an example of convenience sampling (Merriam, 1998). Since one of the authors of this thesis is working at the company we are well connected to the management team. This has given us good background knowledge about the company and have made it easy for us coordinate interviews with influential people within Universal Avenue. From our pre-research of the subject, we could also identify areas, which lacked of former research and suitable established business theories.

## **2.2 The Research Process**

The research process for this study could be divided into different sections. We began by immersing into international business theories and traditional patterns for internationalization

with intermediaries, which formed our theoretical framework. This initial time period was also characterised by contextual understanding of the DSP sector and the internationalization of the service industry, including the role of intermediaries. Former research conducted by Moshe Yonatany (2011) gave insight but also indications of a less explored area of research which lacked previous studies. The gap in current research and literature was a driving incentive when forming the research question and conduct further investigations within this case study.

Thereafter, interviews were set with co-founders of Universal Avenue, with focus on their internationalization process as intermediary and strategy for growth. Also, an interview was made with the Head of Sales at the Universal Avenue London office, James Ogrady, in order to get a complementary view and insights from another market. The collected empirical data touched areas such as internal goals, future visions for the company and network building effects. We aimed to collect data that could contribute and give indications of how internationalization unfolds when dealing with intermediaries within the digital service sector. Further, an analysis was done where we sought to find a deeper understanding of intermediaries' role in regard to internationalization. We wished to highlight current strategies and practices of companies within the digital service sector. This would help us to benchmark practices of today compared to established internationalization theories and thereby detect any changes or new behaviour.

## **2.3 Data Collection**

*The data collection for the empirical part of this study is primarily based on primary data. Through personal interviews we wanted to better understand the context and environment Universal Avenue works within and how their practices differs from traditional intermediaries. Secondary data from Universal Avenues homepage has also been collected as supplement. The gathering methods of both primary and secondary data are described including the reason why it was collected. Due to our case study within the chosen field of research, primary data has been prioritized in order to give insight and contribute with new data.*

### *2.3.1 Primary Data*

In order to exam and investigate Universal Avenue business model further, interviews have been conducted with the two co-founders Johan Lilja and Petter Hederstedt and the Head of Sales at Universal Avenue London office, James Ogrady, during spring of 2016. Due to the geographical distance between their offices in Stockholm, Athens and London the interviews were conducted and recorded through Skype. The empirical data collection offered insight on the predecessor of

Universal Avenue, how the company emerged and its history, which can be traced back to year 2007. It also gave a deeper knowledge within the internationalization process of the company, their growth strategy and future vision. The two interviews conducted with Johan Lilja and Petter Hederstedt was divided into different research areas. The first interview focused on the background and strategy of Universal Avenue while the second interview was aimed to give insights on the importance of networks when internationalizing and role of intermediary. The third interview with James Ogrady, helped us validate and added an extra perspective and layer to the previous interviews. Each interview lasted an average of 35 minutes. When interviewing Johan Lilja and Petter Hederstedt the language spoken was Swedish and was later translated into English by us, whilst the interview with Ogrady the language spoken was English. The interviews were semi-constructed, meaning that questions were prepared before the interview. However, modified and new questions could also be added during the interview in order to give further knowledge and information to the case study (Bryman & Bell, 2011).

The chosen interview form has both advantages and disadvantages. Unlike a structured questionnaire, a semi-constructed interview offers the respondents to answer freely and provides uniformity. It also provides valuable and experience based information from the participants. The interview framework consisted of introductory questions in order for the participants to feel comfortable at the start. Certain questions were designed to be informative and allow the respondent to talk spontaneously and discuss the questions without any limitations (Bryman & Bell, 2011). The interview question to the three interviews can be found in the Appendix 1 (Interview questions) on the last pages of this thesis.

### *2.3.2 Secondary Data*

Secondary data have been collected from the Universal Avenue homepage. The data found there provided us with complemented background information about the company. We are aware of that information presented at the homepage may be bias. However, we find the relevant collected data to be presented in a neutral way. This information enabled us to crosscheck information provided by the respondents from our interviews and thereby develop a better understanding of their business model and the company vision.

## **2.4 Analysis process**

As stated before we used an abductive analysis process, where we wanted to find patterns, similarities and differences between our collected data and the theoretical framework. According

to Robert Yin (2003), pattern matching is comparing two patterns in order to determine whether they match or not, meaning if they are the same or differ. This procedure is the core of theory testing, which consists of matching an “observed pattern” with a expressed hypothesis in order to see if these patterns match (Yin, 2003). This is the process, which we followed after having conducted our three interviews with a theoretical framework to benchmark and support our findings against. We could thereafter see different patterns from our expected pattern, which our analysis is based upon and where we strive to compare the chosen theoretical theories with the empirical data. By looking at our empirical findings and reflect them against the theoretical framework we wanted to draw conclusions and answer our research question. Also, through our analysis process, we strive to find managerial implications and contributions for future research within our research area. That information is found further down explained under the heading conclusion.

## **2.5 Quality of the Study**

*The following chapters discuss the quality of the study in terms of four chosen standards; dependability, credibility, confirmability and transferability. The purpose of this part is to focus on the different quality methods, which was taken in order to unbiased answer the research question, which is based on our empirical data collection. By following these four standards, our research will be validated as reliable and become a contribution to already existing literature of intermediaries' internationalization within the DSP sector. These four steps were introduced by Lincoln and Guba (1994) and strive to give one final and absolute picture of the reality (Bryman & Bell, 2011).*

### *2.5.1 Dependability*

Dependability is another word for reliability and explains the methods for creating a research study, which could be traced back in each step. According to Lincoln & Guba (1994), it is important to audit a research study with a critical approach. This is made possible with the help of a complete report including all phases of the research process. The idea of dependability is to show that the empirical findings are consistent and thereby could be repeated if wanted (Bryman & Bell, 2011). Since all our collected primary data as video and audio interviews, transcriptions and secondary data have been stored, the possibility to audit and exam the findings are made easy. This in order to check references, be confident in our research and ensure external readers that our results are consistent with the empirical data.

### *2.5.2 Credibility*

The criterion of credibility refers to the confidence and the truth of data, including the interpretation of it. According to Lincoln and Guba (1994), the credibility part involved two aspects; the first step is the method and way of study, which enhances the authenticity of our findings. Secondly, the participants must take actions in order to actively demonstrate the credibility to external readers (Bryman & Bell, 2011). For our study we have chosen to interview the two co-founders of Universal Avenue and the Head of Sales on their London office, which are essential decision makers and the driving force behind the company and its strategy. In order to trust the information and data collected from the co-founders we have chosen to use triangulation. This is according to Cohen and Manion (2000, page 469) an “attempt to map out, or explain more fully, the richness and complexity of human behaviour by studying it from more than one standpoint”. The procedure for all interviews have been to start the questionnaire with an introduction to the background of the respondent, their connection to Universal Avenue and lastly the field of responsibility in which they are active in. This was made in order for us to get their special knowledge and to strive towards a greater understanding of the company and the business environment of Universal Avenue. We have therefore added one dimension of credibility by interviewing James Ogrady from the London office to compare, validate and hopefully strengthen the data collected from HQ in Stockholm and Greece.

### *2.5.3 Confirmability*

According to the literature of Bryman and Bell (2011), qualitative research tends to be subjective affected by the researchers perspective. It is important to secure that the purpose of the study does not conflict with the researchers personal assessments. As one of the authors of this thesis is working at the chosen case company Universal Avenue there is a risk of being biased. However, this was handled well since the other author was acting in a critical and questioning way to compensate this possible behaviour. One procedure to enhance the confirmability is to be consistent and recheck the data throughout the study. Another method is to ask for assistance of another researcher for peer reviews (Bryman and Bell, 2011). This was done together with faculty members at the university, that guided and gave indications of chapters, which needed to be reshaped or further explained, missing sources to be included and other relevant aspects for our study to decrease biased behaviour, since one of the thesis members worked actively as a brand ambassador for Universal Avenue.

#### 2.5.4 Transferability

The degree to which the results of our qualitative research could be transferred to a new setting or context is called transferability. If succeeded, our results and findings could be applied to other situations and demonstrated in a larger context than our small case study (Bryman & Bell, 2011). An example of this could be contributions within the area of research that other intermediaries or DSP could benefit from when conducting own studies. According to Robert Yin (2009), all conducted research takes place in the form of single studies. However, the implication of any given study does not depend on the findings of the study. The level of generalization, which the findings can be related to, does also have a major implication of the findings. Robert Yin argues for two different generalizations, either analytical or statistical, where the difference is in that analytical generalization does not draw conclusions from data to a population. The approach is instead that analytic generalization compares the results of a case study to a previously developed theory (Robert Yin, 2009). This is the method that we have used and therefore our theoretical framework acts as a benchmark to our empirical findings.

#### 2.6 Limitations

*Our study includes several of limitations regarding the empirical data collection, suitable theoretical frameworks within the DSP sector, lack of previous research and established literature of DSP including the role of intermediaries. The experienced limitations and measures taken to overcome them are described in this chapter.*

Due to the time limitations for this study, we have only been able to investigate one intermediary within the DSP. Although sample size is less relevant in qualitative research, we are aware that our findings and credibility would have been considered to be better with a larger sample size (Bryman & Bell, 2011). Initially as we formed our research question, we saw a lack of prior research studies within the topic, which we identified as an obstacle. This was later confirmed as Javalgi (2007, page 392) explained that “the internationalization processes are frequently relying on relevant studies conducted within the manufacturing industry, creating a theoretical gap between current internationalization behaviour and the new area of digital service providers”. However, conducting a study of a rather new sector and development of intermediaries with an older theoretical framework based on non-services could be motivated due to several reasons. One reason is the lack of previous research in the chosen area will create a chance of a valid contribution and offer a greater understanding of intermediaries within the DSP sector.

Also looking at the data collection and the chosen semi-constructed interviews, we could identify areas where interview skills lacked of former experience and knowledge regarding conducting a research study on bachelor level. In retrospect, there will always be specific questions, addressing a particular issue that could have been rephrased and thereby influenced the analysis of the results.

### **3. Theoretical framework**

*The theories chosen to provide background for this study are theories that can help to explain DSP internationalization process and the research question. Through the selected theories, the focus is to explain main elements of the internationalization process, which are the choice of entry mode in a foreign market, pattern of internationalization and speed of the internationalization process.*

#### **3.1 The Uppsala model 1977 - focus on learning**

The Uppsala model explains the process of internationalization as an incremental process. Early established economics and normative international business literature stated that firm's internationalization process was a cost-risk balance. A firm should enter a new market, according to that literature, by choosing the optimal mode by analysing their costs and risks based on the markets characteristics and taking into consideration their own resources (Hood & Young, 1979). However, an empirical study, known as the Uppsala model and first published in 1977, made by Jan Johanson and Jan-Erik Vahlne on four Swedish companies contradicted earlier observations. With the model Johanson and Vahlne presented an internationalization process focused on learning (Johanson & Vahlne, 1977).

The fundamental assumptions of The Uppsala model from 1977 are uncertainty and bounded rationality and it is built on two change mechanisms. A firm is learning from operations, current activities, in a foreign market, which drives change and market commitment. Also, deeper knowledge in the foreign market motivates change and further commitment decisions. Johanson and Vahlne (1977) defined commitment as the product of the size of investment times its degree of inflexibility. While adaption to meet customers in a foreign market is a sign of commitment, a large investment in saleable equipment is not. This experience builds a company's market

knowledge and this leads the company into daring taking new levels of commitment, which generates more learning. Consequently, the model is dynamic (Johanson & Vahlne, 1977).

Johanson and Vahlne (1977) saw new patterns in firm's internationalization process. They argued that internationalization is a matter of adjusting to changing conditions of the firm environment rather than strategy of using its resources at optimal output. Since a new environment offers new problems and opportunities and there exist no routines to address these challenges, managers constantly seek for solutions in the area. Another feature of the pattern was found that the time order of these new establishments was related to psychic distance between the home and importing countries. Which means that internationalization process often starts in foreign markets that are similar to the domestic market, in terms of language, education and business practices. Companies would then later enter markets further away in psychic distance (Johanson & Wiedersheim-Paul, 1973; Vahlne & Wiedersheim-Paul, 1973). This phenomena has its foundation in the liability of foreignness, a concept of an inherent disadvantage that foreign firms experience in host countries because of their non native status (Hymer, 1976; Zaheer, 1995) Hence, the higher the psychic distance the higher is the liability of foreignness. Johanson and Vahlne (1977) argued that the best way to address these challenges is through experiential knowledge, which can only be obtained through personal experience and cannot be transmitted between two people. In order to gain this crucial knowledge firms hire experienced personnel or use intermediaries. Successively companies formalized their market entries through these knowledge sources, which represented the focal company in the foreign market. As knowledge and sales grow the company replace their intermediary and increase their commitment with their own sales organisation in the foreign market (Johanson & Vahlne, 1977).

### **3.2 The revisited Uppsala model - focus on networks**

Since the publication of the original Uppsala model from 1977 a number of studies have showed the importance of networks in the internationalization process of firms. Coviello and Munro (1995, 1997) found in their studies that network relationships have an influence on both the entry mode and selection of foreign market. Martin, Swaminathan and Mitchell (1998) saw that the relation between buyers and suppliers had impact on the pattern of firms' internationalization strategy. With continued case analyses, Coviello (2006) constructed a model showing that "insidership" in networks progress before entering into a foreign market or even before the firm is founded. Due to the clear evidence of the importance of networks in the internationalization process of firms, Johanson and Vahlne (2009) concluded that their original model needed to be

developed. Even though a lot of research has been done about networks impact on the internationalization process, little has been focused on how these networks are created. Through their developed model, Johanson and Vahlne (2009) wish to explain this by making a more general model of firm internationalization.

According to Kelley and Thibaut (1978) relationships seems to grow from social exchanges between firms. The relationship develops as firms enact interactively and sequentially, resulting in accumulation of knowledge and building of trust and further on leading to greater commitments. The relationship development is a bilateral process between two parties who make a mutual commitment and Johanson and Vahlne (2009) was unaware of this when they constructed their original model. Their view now is that successful internationalization requires mutual commitments between the involving firms (Johanson & Vahlne, 1990; Vahlne & Johanson, 2002). However, building up working relationships is related to risk and large investments, it is time consuming, needs managerial effort and many attempts fail (Hohenthal, 2001). Since relationships fundamentally are socially constructed the size of the psychic distance still becomes relevant in the developed Uppsala model. The larger the psychic distance is the more difficult it is to build up working relationships, which is an effect of the liability of foreignness (Johanson & Vahlne, 2009).

Studies show that firms operate in different long lasting relationships with customers and suppliers at the same time. Likely, those firms are also engaged in similar business relationships (Cowley, 1988; Håkansson, 1989). This creates a web of connected relationships also categorized as business networks. Firms are part of creating and exchanging knowledge directly and indirectly through activities within these business networks. Therefore, a business network contributes to an extended knowledge base to firms (Hägg & Johanson, 1982; Kogut, 2000). Johanson and Vahlne (2009) mean that a firm's success is dependent on that it is well established in one or more business networks. As an "insider" firms learn, build trust and commitment - the key components of the internationalization process. The opposite, a firm being an "outsider" makes it merely impossible to develop their business with no relevant network position. The "outsider" firm will experience from what Johanson and Vahlne (2009) refers to as liability of outsidership and foreignness, which will complicate the process of becoming an "insider" (Johanson & Vahlne, 2009)

### **3.3 Born globals - speed of the internationalization process**

Emerging during the late 1980's a new and growing stream of literature were published focusing on the phenomena of firms early adopting of internationalization, called born-global firms. The early adopting firms are likely driven by two key trends of change in the external international business environment, that have largely impact on the reduction on the transaction costs connected to foreign market expansion. The first trend is the globalization, which includes an uncountable number of firms who internationalize their production, sourcing and marketing. This leads to simplifying product development and positioning in foreign markets as globalization is linked to increasing homogenization of buyer references, which has made international business easier. The second trend is the technological development that has driven information, communication, production methods forward and contributing to big growth in international trade. Together with the Internet and its related technologies, such as e-mail, has made the internationalization process a more practicable and less costly option (Knight & Cavusgil, 2004).

In contrast to traditional pattern where firms operate in many years in their domestic market (Johanson & Vahlne, 1977), born-global firms management have a global strategy focus from its origin. Born-global firms leverage on their innovativeness, knowledge and capabilities to succeed in foreign markets, despite their lack of human, financial and tangible resources that describes most new business (Knight & Cavusgil, 2004). The innovations that new and small firms develop create valuable unique assets, which give them a competitive advantage that enables them to speed up their internationalization process. Management's prior knowledge and networks gained from earlier industry experience and internationalization lowers the risk associated to the process and can also fast-forward the global expansion speed. The network relations are crucial for small companies to overcome the size-related challenges of internationalization, and these relations can both be between people and between companies (Coviello & McAuley, 1999).

### **3.4 Business relationships, born globals and intermediaries**

As successful relationships are formed between companies, some activity links, resource ties and actor bonds are developed between companies and melted together in a unique way. These different activities and resources in a relationship are regarded as a source of value for both companies and the bond between the companies cannot be independent; it demands co-alignment of two parties. The theory of "team effect" by Alchian and Demsetz (1972) describes the effects when companies perform activities and utilize resources together, which none of them could accomplish alone (Håkansson & Snehota, 1995). These types of business activities and

exchanges are essential for smaller born-global firms, in order to achieve competitive advantage, networking competencies and thereby develop a range of alliances and collaborative partnerships. Smaller born-global firms have limitations regarding economies of scale, financial and knowledge resources and unwillingness to take risks. However, born-global firms utilise technological innovations and business networks in order to foster partnerships and alliances in multiple entry modes and thereby overcome their limitations of internationalization. This network approach enables companies to bring unique innovations of technology to international markets early and in a rapid pace (Freeman, Edwards and Schroder, 2006).

#### *3.4.1 The role and advantages of intermediaries*

A means to expand rapidly into foreign markets is through local intermediaries. Several studies around the globe show the usage of intermediaries when establishing foreign operations on new markets. According to one UK study of 246 high technology companies, 48 percent of the companies exported via intermediaries when entering a new market. Clearly, exporting through foreign intermediaries is an important path of foreign market exploitation. There are many reasons for companies to use foreign intermediary when exporting or entering a new market. The lower cost advantage and financial risk associated with intermediaries compared to setting up own activities and selling operations with current staff member, is one of the major causes to the existence of middlemen. Uncertainties regarding market size, volatility as well as viability are factors which needs to be taken into consideration before companies expand to a foreign market. The local intermediary is often better informed regarding market knowledge, marketing infrastructure and be able to deal with cross-cultural issues (Welch, 2007).

#### *3.4.2 Challenges of intermediaries*

Despite the popular use of foreign intermediaries for companies internationalization processes, there have been many studies conducted which reveals problem areas. These results were noticeable seen in the recruitment process of identifying, selecting and later on signing up appropriate intermediaries by maintaining an effective and mutual relationship. Initially the relationship has been characterized by a high dependency of the intermediaries, given the lack of experienced business networks and knowledge on the foreign market. This dependency is incrementally decreasing due to the foreign market involvement and direct contact to foreign customers. The results of this change are often a development towards a more controlled approach by the expanding company (Welch, 2007).

The concern about control and the chance of being locked in by intermediaries is something many companies face while expanding to a new market. In order to avoid these situations, companies seek to arrange non-exclusive intermediary agreements and thereby decrease the chance of dissatisfaction if problems arise with the exclusive intermediary. An alternative solution for many firms which face threats of exclusive agreements by exporters is to divide the given area or regional district within the new market. By appointing a couple of different but exclusive intermediaries in one market, the potential risk of problem regarding dissatisfaction will decrease. The exporting company can thereby limit the potential market damage made by one of the chosen intermediaries. An Australian company described in *Foreign Operation Methods* by Welch, Benito and Petersen (2007), has incorporated this strategy when expanding abroad and described the method by saying “Sometimes we appoint, say, five agents for the first year and then select the best and most reasonable” (Welch, 2007, page 254). Still business relationships play prominent role for the internationalization of the company and facilitate growth both domestic and international (Yonatany, 2011).

### *3.4.3 Complex business relationships*

The previous mentioned experienced uncertainties regarding international relationships are often related to enforcing contracts across borders, geographical distance, lack of information and the difficulty in establishing the expected knowledge and competence of a foreign intermediary. With the rising demand of innovations and economic efficiency, the complexity of relationships, such as an exporter-intermediary relationship has increased. The traditional and straightforward buyer-seller relationship from former international business strategies is transformed into more complex compilations of actors and strategic alliances. Now firms use strategies alliances or joint ventures, which often consist of more than two partners in the relationship in order to overcome these constraints and build collaborative partnerships. Access to an established business network will not only influence the choice of foreign market to enter but also the appropriate foreign market entry, which has substantial and long lasting consequences on the firm and its competitiveness. A non-suitable entry mode may affect the company's opportunities to succeed and limit a potential international expansion (Freeman, Edwards and Schroder, 2006).

## **4. Empirical data**

*This chapter describes the intermediary Universal Avenue within the DSP sector. Initially, we described the background of the company and the reasons why it was founded. Thereafter we described the internationalization process and the role of networks for growth, both external as well as internal. Significantly for this section is the focus on relations and complex networks between expanding companies, intermediaries and other relevant actors. Lastly follows a description of operation practices including criteria's for working with partners and other brand and a future outlook for Universal Avenue.*

### **4.1 An introduction to Universal Avenue**

Universal Avenue, a Swedish start-up company founded in 2014 introduced “Sales-as-a-Service”, with an on-demand sales force which can be activated instantly anywhere in the world. They are offering sales services as an intermediate to growing DSPs within the business-to-business industry. Characteristic for their clients is interest in reaching new geographical markets, within the country or abroad and the ambition to get in contact with local decision makers in foreign markets. Universal Avenue has built up a network of freelancing brand ambassadors around the world. These brand ambassadors are recruited, trained and classified by Universal Avenue. In their focus market Europe they also have established offices in Sweden, Greece, Great Britain and Spain which gives them more in-house local knowledge of these markets. Universal Avenue connects DSP's to a network of local knowledge and personnel through freelancing brand ambassadors (Universal Avenue, 2016).

#### *4.1.1 Background of Universal Avenue*

The two Swedish entrepreneurs Johan Lilja and Petter Hederstedt are the founders of Universal Avenue. They both have an academic background and several years of international professional work experience. Lilja graduating with a double master degree in business and engineering from Stockholm School of Economics and Royal Institute of Technology in 2004. With an academic background Lilja started his career at MTG, mainly in the area of international sales and management. During this period of time Lilja and Hederstedt first met when participating in the same management trainee program (Lilja, 2016). Hederstedt came to MTG from Stockholm School of Economics where he conducted a master degree in management. Throughout Hederstedt's professional career he has always worked with international businesses and clients

with a focus on online marketing, community management and search engine optimization (Hederstedt, 2016).

In 2007 Lilja and Hederstedt founded a start-up company that they consider as a precursor to Universal Avenue. They launched a travel portal where one part of it allowed travellers to make money as brand ambassadors while travelling by contributing to the community. However, the company did not reach the success Lilja and Hederstedt had wished for and the main reason for the projects stagnation was bad timing. Simultaneously, Facebook had its breakthrough in Sweden, meaning online communities and user-generated content was not fully developed. However the most functional part of the platform was the brand ambassadorship, which the two entrepreneurs identified as a key component for a future venture. Therefore, Lilja and Hederstedt scaled down their original idea and instead focused on sales and brand ambassadors; from here Universal Avenue partly was born (Lilja, 2016)

#### **4.2 Universal Avenue - A company built on two global trends**

According to Lilja and Hederstedt Universal Avenue is founded to meet two global trends. One of them being the boom of new innovative digital brands that emerges around the world. Lilja and Hederstedt (2016) mean that it is easy to start a company today, a good idea and basic knowledge in building a website or an app, gives you a platform to start from. However, a problem these new innovative digital brands face is to gain customers to be able to scale their company. The second trend is a social development found in the demographic group called “millennials”, more précised people born between 1980 to around 2000. “Millennials” value flexibility, freedom and strive for strong work-life balance, which Hederstedt think will lead to an increase of people working as freelancers (Hederstedt, 2016).

Universal Avenue meets these two global trends by partly being an intermediary for growing DSP’s and by partly providing a platform for freelancing salespeople. As an intermediary Universal Avenue offers DSP’s a possibility to reach new customers while avoiding the cost of recruitment and training of salespeople. Due to the digital platform Universal Avenue provide a network of freelancing salespeople that enables DSP’s to reach new customers around the world within a couple of days. The digital platform Universal Avenue has developed, offers people the possibility and freedom to work as freelancing salesmen anywhere in the world. According to Hederstedt (2016), this is a result of the technological development, which now offers a solution for people to “work the way you want to live”(Universal Avenue, 2016).

### **4.3 Internationalization process of Universal Avenue**

Universal Avenue was first established in Sweden and in Greece since both the founders Lilja and Hederstedt are Swedish and Hederstedt lived in Greece for many years. Sweden and Greece are two markets that they have good knowledge about and well-established professional connections in (Hederstedt, 2016). According to Lilja (2016) this made it easier for Universal Avenue to sign up their first partner brands. The choice of these initial markets was strategic in order to gather learning's of differences between north and south of Europe regarding business culture. Thanks to the combined knowledge from these two markets, Universal Avenue could start on global markets, instead of in a Swedish context. Next market Universal Avenue opened up an office was in London, which Hederstedt consider as a natural third step since it is the biggest market in Europe and the key to core businesses and relations in Europe (Hederstedt, 2016). As of now Universal Avenue is active in Scandinavia, Greece, Great Britain and Spain have established offices in Stockholm, Athens, London and Barcelona (Universal Avenue, 2016)

Universal Avenue is a growing company and an intermediary to growing companies within the digital service industry. Hederstedt (2016) means that when choosing upcoming new markets Universal Avenue might take in consideration existing partner brands request on new markets to enter. Entering a new market together with an existing intermediary is connected with less risk than contacting a new potential intermediary active in the local market, since a well working relationship and understand each other culturally is key to good business (Hederstedt, 2016). When Universal Avenue established their office in Spain it was partly as a result of an existing brand partner wish. The partner was already established in Spain and needed Universal Avenues help with sales. Connecting Universal Avenue with an existing network in Spain together with the potential of the market and the similarities with the Greece market was all contributing factors to the choice of new market according to Lilja and Hederstedt (2016). According to the Head of Sales in London, James Ogrady (2016) this concept has proven to be successful but it is always a case of providing and delivering the expected number of sales. However, more important is the quality of sales, which Universal Avenue emphasizes and state as one of their unique advantages. This reflects the selection of brands which all identify themselves with Universal Avenue, as innovative start-ups where quality is key and defines the sales model (Ogrady, 2016).

#### *4.3.1 One intermediary in several markets*

The Head of Sales at the London office, Ogrady, has 15 years of experience within freelancing sales operations and managed international operations with sales forces of 200 people. A major problem identified while working with international sales for different companies in Europe was the problem with new and different sales intermediaries in each market. These companies all operate in different manner, with different background and financial options, which affects the main brands, buying the sales service. The complex relationship is highly time and resource demanding with several communication channel and uncoordinated sales activities. Universal Avenue strives to have one platform and synced channels and activities in order for to create an efficient sales force and thereby quickly spread the service or product of the brand. This process creates incentives for brands and companies to internationalize together with Universal Avenue, which facilitates different sales networks in several markets (Ogrady, 2016). Weekly video meetings are organized between the different management teams in order to gain learning's from the active markets. According to Ogrady (2016) the global network of offices contributes with knowledge from experience on what is working with sales and the brand relations that can be adapted in the different local markets. Having this network of experience and ability to transfer knowledge facilitate the possibility of transacting brands to new markets where Universal Avenue is active. This simplify for their partner brands since they do not have to have many different sales intermediaries for different markets (Ogrady, 2016).

#### **4.4 The role of networks for growth and expansion**

Universal Avenue works with building up their networks on three different levels. The first level is by setting up local offices in the markets where they are active. Second is to hire brand ambassadors on freelancing basis and people to coach their sales processes. Thirdly, they often choose brands, which have the vision to be international or already have an international approach. Universal Avenue aims to build up local offices in the countries and market where they are active in. They emphasize the importance of a local presence in each country in order to get access to personal contact and enhance education of Brand Ambassadors and build networks within the given market. The initial step after analysis of the market is to recruit brand specialists and brand coaches to build a local knowledge and support the Brand Ambassadors in their sales approach to local companies. This is the normal procedure, which has occurred when launching in Spain, Greece and England. An alternative solution to building networks was made for the launch in Finland and Norway, where strategic partners with good local understanding were approached and helped Universal Avenue to enter these markets. A third solution of entering a

new market explained by Lilja, is a completely digital launch, characterised by its rapid speed but the downside is “ a loss of local touch and feeling regarding business culture” (Lilja, 2016).

#### *4.4.1 The role of inherited networks*

The process of building alliances and networks with local actors is enhanced through multiple of channels. An important channel of network creation for Universal Avenue, is the investors and the board members already established network of business contacts. Universal Avenue benefits from the senior board members business network when mapping out the market and important stakeholder within the market. Johan Lilja explains the value of having well known investors like the Angry Birds founder Kaj Hed and seniors in the board when entering new markets and new business partners on these markets. The access to powerful business contacts is one of Universal Avenues key strengths and would not be possible without former working experience and years in the industry where “introduction to the right people is key”. Hederstedt are aware that the new era of digitalisation with mobile and free information flows has facilitated a new way of connecting. It has never been easier to connect with people and the start-up scene is growing worldwide and especially in Stockholm. Entering a Facebook group with like-minded entrepreneurs or through LinkedIn, grants access to new individuals and their networks. Before this was not possible, then only a few events were organized events per year (Hederstedt, 2016).

#### **4.5 Universal Avenues role as intermediary**

When a brand partner decides to invest in Universal Avenue to grow and increase their sales on an international level, this is a major commitment for future activities between the actors. Today, Universal Avenue is brand partner to companies like Spotify, iZettle and Sumup, internationally known companies within the DSP sector and start-up scene. According to the co-founder Petter Hederstedt (2016), the bigger the brand is, the more time, money and resources are invested in order to ensure that the brand image does not get damage by outsourcing sales activities to intermediaries like Universal Avenue. The selection of high quality partners with fast expansion pace and mutual interests of growth gives Universal Avenue the chance to build strong relationships and the opportunity to roll out the same strategy on different markets, globally. If the relationship and the results are satisfying for both parts involved, Universal Avenue and the brand partner often bring the same concept into a new market and thereby expand simultaneously (Lilja, 2016).

Universal Avenues business model with freelancing brand ambassadors would not be possible without the technological development of digital platforms and mobile communication. One unique advantage is the mobility and flexibility of one platform, which facilitate everything the brand ambassador, needs in order to close a sale with a customer. This process has been simplified to make the brand ambassadors work as frictionless as possible regarding administrative task and focused to utilize leads and push sales. Universal Avenue does not have the problem to facilitate or be fully responsible for their ambassadors unlike traditional and well-established sales corporations. These companies often have contracts tied to their employees while Universal Avenue works on a freelance basis which is 100 % commission driven. If the relationship and the results are satisfying for both parts involved, Universal Avenue and the brand partner often bring the same concept into a new market and thereby expand simultaneously (Lilja, 2016).

#### **4.6 Brand criterias**

Universal Avenue is currently representing 20 different brands as their sales intermediary. Characteristic for the first launched brands have been a clear focus on digital services due to their scalability. When dealing with intangible products and services advanced logistic system is not needed, equivalent to tangible products. Universal Avenue spent a year before the official launch of the company to build up the digital platform. It is the core of the company's communication, education and information channel between the three key stakeholders involved: Universal Avenue, the brand partner and brand ambassadors. Universal Avenue's founder team conducted research on all the major cities in the world depending on size and customized a roll out plan based on interesting cities with low geographical distance. Depending on factors such as legal circumstances, suitable marketing channels and other external factors, Universal Avenue is flexible to adapt their playbook and roll out plan to local markets. The plan is often to start on one market within a country and incrementally increase the physical presence with brand ambassadors and their on-demand sales force which can be activated instantly anywhere in the world (Lilja, 2016).

Universal Avenue business model have proven to be attractive for companies since it guarantees sales due to the commission based model. The plan is to increase the amount of brands in the portfolio by one new brand per week. Currently there are around 500 brands queuing to be the next launched brand on Universal Avenues platform. The companies queuing to become a part of Universal Avenues platform, are assessed by several criteria before entering the process.

Depending on the competitiveness in the country, its reputation and already achieved success, Universal Avenue decides whether or not the company is suitable according to established criteria of recruitment. A major advantage is if the company is active in several international markets, in order to simplify the content creation and training for brand ambassadors and thereby reduce lead-time from contact to launch of brand on the platform (Lilja, 2016).

#### **4.8 Future of Universal Avenue**

Johan Lilja (2016), CEO explains that they have received a lot of media attention and newly won the Best Newcomer award at the Nordic Startup Awards. They have also received further investment by 40 million SEK, where one of the main investors is the American company Sales Force, one of the leaders in customer relationship management and PaaS (Platform as a service). In the future, Universal Avenue aim to develop their B2B solutions for companies involved in the shops, hotel and restaurant industry and bring in physical products into their concept. One future vision of Universal Avenue is to build a global distribution network in markets and countries as Japan and China in order to be in the premium segment of “Sales-as-a-Service” (Lilja, 2016).

Other key sources for growth is recruitment of competent and high quality brand ambassadors that fit the profile of the selected brands. Due to the business model of an independent freelancing sales force, Universal Avenue emphasize the time to educate and evaluate their brand ambassadors to reduce any risk of damaging their or the partners brands while out on the field. Still, Universal Avenue experiences a high demand of people requesting a lifestyle to grow professionally and personally and experience the freedom to work after their requirements. The current admissions rate is only 1-2 percent from the total applications, a result of the high standards set by the company and its partners. James Ogrady (2016), Head of Sales in London stresses the importance of a functional relationship between the brand ambassador and the brand, which is key in their business model. There will always be brands in need of pushing sales but the brand ambassadors are still the main source and high prioritized in the business model of Universal Avenue. A future possible hurdle, explained by James Ogrady (2016), is if the technological implementation would not be a suitable substitute regarding coaching, brand ambassador training and building a community for everyone involved. This could affect the company culture, with no physical connection and personal contact to the brand ambassadors, due to communication over technical devices (Ogrady, 2016).

## **5. Analysis**

*In this chapter, the empirical findings from our data collection will be analysed and compared to the chosen theoretical framework, which is the core of this study. Differences and other relevant findings will always be presented with the theoretical background in remembrance in order to simply show proof of new research contribution. Continuing the purpose of the study, the analysis strives to answer our research questions regarding how intermediaries are interconnected with internationalization and what role an intermediary has regarding internationalization within the digital service sector. Our analysis will additionally provide a basis for the conclusion chapter, which is presented in the next chapter.*

### **5.1 An intermediary born to be global**

With the born global theory in mind, we can easily draw comparisons and parallels between the literature and the internationalization process of the intermediary Universal Avenue (Coviello & McAuley, 1999). However, the combination of a company founded to meet two global trends, the boom of innovative brands and the change within the demographic group called “millennials”, together with a technological platform, creates an intermediary which is not only seen as a born global itself, but an actor for born globals and DSP’s to help reach new markets. The digital platform enables DSP’s to get in contact with freelancing salespeople who possess the local knowledge in a foreign market and thereby overcome any constraints related to the psychic distance described by Johanson and Vahlne (1977). A similar idea, which the two entrepreneurs Lilja and Hederstedt founded together in 2007, but did not reach any success due to the timing of digital services and lack of technological development, compared to today's conditions (Lilja, 2016).

### **5.2 The internationalization pattern of a digital intermediary**

Born global theory states that early adopting firms are driven by two key trends in the external international business environment; the globalization and the technological development (Knight & Cavusgil, 2004). We see Universal Avenue as a born global firm with their highly international experienced management team with a global strategic focus from birth. Another key character for a born global firm is the technological advantage, which Universal Avenue has in their innovative digital platform. This competitive advantage separates Universal Avenue from similar intermediaries, which often are more locally tied with less possibility of expanding their and their clients business abroad (Welch, 2007). Also, looking on Johanson and Vahlne (1977) traditional view on how firms internationalize we see both differences and similarities in Universal Avenues

internationalization pattern. Johanson and Vahlne (1977) cherish incremental learning and that firms internationalization process is governed by a pattern related to psychic distance. Looking at the first two initial markets of Universal Avenue, Sweden and Greece, which they motivate as partly a strategic choice due to the gained learning's from two highly different markets (Hederstedt, 2016). However, we could not identify the pattern of psychic distance in regards to Johanson and Vahlne's (1977) theory, because of the major differences in business culture between north and south of Europe. Nevertheless, the experienced lack of psychic distance is expressed and overbridged with the help of local brand ambassadors, which role are to penetrate a market and thereby overcome these constraints. Additionally, in line with Coviello & McAuley's (1999) view on smaller firms internationalization process, Universal Avenue has leveraged on their management's prior knowledge and networks, which motivates their choice of the dissimilar markets.

Looking further at Universal Avenues internationalization process we see that they have taken advantage of their role of being an innovative intermediary to DSP's. Universal Avenue's role as intermediary within the DSP sector has no local rootedness, instead the intermediary is an internationalized factor on global scale. The principles of Internet service delivery, where the architecture of the value transaction is seamless, automated and rather simple from a user experience perspective creates a unique advantage for DSP's (IBM, 2014). The evolving digital landscape of today offers opportunities for DSP firms to create new services and new choices for consumers to consume. Driving almost all interactions online and across devices enables companies to focus on scalability on a global scale rather than a local concentration (IBM, 2014). In contrast to traditional physical products, which today's most of the relevant internationalization theories are built upon, DSP are not affected by geographical boundaries (Yonatany, 2011). We could thereby see a reduced influence of factors such as geographical distance, lack of information and difficulty in forecasting knowledge and competence of a foreign intermediary for internationalizing companies in the DSP industry. As stated before, we could therefore not see any traditional pattern of Johanson and Vahlne's (1977) term psychic distance, which could be explained by the lack of geographical boundaries related to DSP and the role of brand ambassadors. This method of working also contradicts former established theories of intermediaries' practices regarding exporting firms explained by Welch (2007). As of now, new partnerships and joint-venture looking alliances are influencing and driving a more complex buyer-seller relationship.

### **5.3 Mutual growth and internationalization**

Unlike traditional sales intermediaries, Universal Avenue strive to choose suitable partners with the ambition to grow mutually, both market wise and internationally (Lilja, 2016). This creates both incentives and opportunities for both partners, as the DSP and the intermediary share the same ambitions to expand internationally. A major problem according to the foreign indirect export theory explained by Welch (2007) is the recruitment process of identifying, selecting and later on signing up appropriate intermediaries in different markets by maintaining an effective and mutual relationship. This type of relationship does often have an imbalance dependency, which creates conflict of control between the internationalizing partner and the intermediary. Universal Avenue differs in this case compared to traditional exporting intermediaries regarding ambitions of internationalize, flexibility in method of practice and how the relationship is designed. As the Head of Sales in London, James Ogrady (2016) described, the major problem while working with international sales for different companies in Europe was the problem with new and different sales intermediaries in each market. Each intermediary operates in their own manner, which could aggravate the chance of scalability compared to having one partner with an already established relationship and coordinated communication. We see that the digital landscape enables intermediaries to work in a new and more efficient way regarding distributing their client's services. Further we see a reduction of companies faced being locked in by intermediaries while expanding to new markets which will have a positive effect on the current control issue explained by the foreign indirect export theory (Welch, 2007).

### **5.4 Level of networks**

Universal Avenue value having a local presence in their active markets as it is crucial to have local knowledge in order to succeed with sales (Lilja, 2016). Since relationships fundamentally are socially constructed, the size of the psychic distance still becomes relevant. With a combination of regional offices, in-house staff and brand ambassadors in these markets, we can see that Universal Avenue works to overcome the constraints related to the liability of foreignness explained by Johanson and Vahlne (2009). Universal Avenue are leveraging on what Johanson and Vahlne (2009) refer as being an "insider" in each of their active markets. Through these established business networks Universal Avenue learns, build trust and commitment, which are the key components of the internationalization process according to Johanson and Vahlne (2009).

#### *5.4.1 Leveraging from in-house networks*

In line with the theoretical background of Coviello and Munro (1995, 1997), Universal Avenue depends and highly prioritizes the value of network as they internationalize (Hederstedt, 2016). One channel of network creation, described in the empirical chapter, is the board member and the investors already established network. According to both Coviello and Munro (1995, 1997), network relationships have an influence on both the entry mode and selection of foreign market. For Universal Avenue, this is clearly the case, as the CEO and co-founder Johan Lilja (2016) explained during our interview. The senior board member's business network is one important factor when mapping out important stakeholder within a new market and thereby strives to overcome any limitations connected to an "outsider".

In our empirical part we have located and described three different levels of networks. As an addition, Universal Avenue also benefit from their inherited network, characterized as the network of the board members, investors and other business contacts. These sophisticated networks enable Universal Avenue to foster partnerships and alliances and thereby overcome their limitations of internationalization. In line with the network approach (Freeman, Edwards and Schroder, 2006), we can see that Universal Avenue as a born global firm, utilising technological innovations and business networks in order to bring unique innovations of technology to international markets early and in a rapid pace. We have identified that the research of Freeman, Edwards and Schroder (2006) regarding the development and increasing complexity of business relationships is highly connected to the practices of Universal Avenue. Not only does it affect key decisions and strategies as choice of foreign market to enter but also the appropriate foreign market entry for the company. The transformation from a traditional and straightforward buyer-seller relationship to a more versatile approach with different actors and strategic partners creates an advantage for Universal Avenue. Their selections of partners and brands to work together create a complex business network, which facilitates great opportunities to a fast internationalization.

#### *5.4.2 Leveraging from external networks*

Universal Avenue provides a network of local knowledge and personnel through freelancing brand ambassadors to DSP. Having a global mindset and the vision to create a worldwide network of a freelance sales force to help DSP to get in contact with local decision makers and succeed with sales on a global scale (Universal Avenue, 2016). Even though DSP is characterized by having no local rootedness it is still important to have local presence and knowledge to not

experience the liability of foreignness (Johanson & Vahlne, 2009). Therefore we see that intermediaries such as Universal Avenue in the DSP sector, could offer access to local networks in the physical world and enable a better distribution in the selected market. Also, using an intermediary is related to less financial risk compared to setting up own sales organisations in each new market (Welch, 2007).

Looking further on what the brand ambassadors contribute to the intermediary Universal Avenue and their partner brands we see the network that they provide as a potential explanation to the absence of the traditional pattern in psychic distance according to Johanson and Vahlne's theory (1977). The technological platform that Universal Avenue have developed enables them to hire, train and communicate with local freelancing brand ambassadors in their different active markets, which affects the efficiency of to scale the business. Also, the management team behind Universal Avenue are senior professionals and have international background with a big network. According to Coviello and McAuley (1998) the network relations are crucial for small companies to overcome size-related challenges. This gives Universal Avenue and their partner brands the possibility to internationalize their businesses in a rapid way, without having to experience the liability of foreignness related to psychic distance (Johanson and Vahlne, 2009). The network of brand ambassadors are already established "insiders" in the foreign market and give their internationalizing partner firms the possibility to become "insiders" too and establish their businesses.

However, both Lilja (2016) and Ogrady (2016) mentioned the risks of their rather new and non-established business model, concerning brand image of partner brands and control issues regarding their own brand ambassadors. The downside of using freelancers in order to internationalize in a rapid pace is the lack of control, which could result in a damage brand image for Universal Avenue and their partners. If a brand ambassadors training, profile and sales approach is not suitable and in line with the brand itself, this could have an impact on the brand experience. An example of this could be a brand ambassador, which instead of creating a pleasant brand experience burns the brand image by non-ethical behaviour. As Welch (2007) mentions the lack of control is one of the major challenges when working with an intermediary. This could grow into an even bigger challenge when working with an innovative intermediary such as Universal Avenue, since they are penetrating many markets at the same time through their global network of brand ambassadors.

## **6. Conclusion**

*In this chapter we will first present the reader with our concluded findings to both our main and sub research question in order to highlight our findings in a broader context, not focusing on the single case study, rather the theoretical implication of the study. Furthermore, suggestions of managerial implications and future research concerning the explored area of intermediaries within the DSP sector and their internationalization process will be introduced.*

### **6.1 Empirical contribution**

The purpose of this study was to describe how internationalization unfolds when dealing with intermediaries within the digital service sector and the role of intermediaries in regard to internationalization. Throughout our analysis, where we reflected our empirical findings across the theoretical framework, we have found interesting research contributions related to the subject. We see how an intermediary within the DSP industry could play a significant role in their internationalization process. Using an intermediary is less connected with financial risk and is a convenient way to reach new markets, which also goes in hand with Welch (2007) theories regarding intermediaries. However, we see a pattern of a new practice by an intermediary within the DSP industry, which choose to internationalize mutually together with their collaborating partner brands. This discovery changes and questions the relationship described in current theories regarding exporting firms and intermediaries. The findings indicate a switch of behaviours between internationalizing firms and intermediaries, especially identified in the DSP sector but could also considered to be adaptable and generalized in other context and industries. The reason why this might be possible it due to the technology achievements, which enables firms to quickly reach new market through local networks of independent freelancers.

Consequently, we also see how traditional internationalization pattern theories are questioned. Universal Avenue is launching their and their partner brands businesses in markets with big psychic distance which is related to higher risk of experience liability of foreignness (Johansson and Vahlne, 2009). However, the intermediary overcomes this obstacle with their new business model and the technology that they possess, which enables them to easily facilitate a network of “insiders” in different markets through their brand ambassadors. Furthermore, the importance of an intermediary is having access to a wide network and thereby be able to scale their own and their partner brands. Since DSP has no geographical rootedness, an intermediary could provide access to local networks for DSP’s, which operate on a global scale. The interconnections

between intermediaries and DSP's are important since intermediaries can provide an offline presence for the internationalizing DSP's and thereby reach new unknown markets. Which further explains why DSP's follows an internationalization pattern in contrast to the Uppsala model.

## **6.2 Managerial implications**

The conducted research observed the internationalization process of intermediaries within the DSP sector. Our findings have a number of managerial implications, mainly addressed to intermediaries within the industry, their practices and the opportunities, which arise as technology constantly drives new changes.

The rise of companies and brands with strong digital and global focus creates new opportunities for intermediaries within the DSP sector. Since most companies within this specific sector do not have any local rootedness and internationalize quickly on a global scale, this generates a need for locally adopted sales intermediaries to overcome any constraints related to psychic distance and lack of market knowledge. This is not exclusively connected to the case of Universal Avenue but for all similar companies and intermediaries working with DSP. Our study is concentrated around Universal Avenue, a company within the industry of DSP intermediaries, however we wish our contribution to be adaptable and transferred to a general context. Another important managerial implication from the study is the development and drive of technology that creates new possibilities of communication and ways to streamline all types of sales activities. The physical presence is of decreasing importance as new communications channels arise and builds a digital landscape of networks, where geographical boundaries do not exist to the same extent as before. However, the face-to-face interaction and local knowledge is still crucial and cannot be ignored due to the nature of sales services, where building relationship and trust are key factors to success.

## **6.3 Future research**

As our research focused on one intermediary within the DSP sector, we would highly suggest future researchers and studies within the context, to increase their sample size of companies investigated. This would be interesting from a benchmarking perspective in order to identify similarities and differences between companies and intermediaries working within this sector. Also mentioned is the lack of previous studies and suitable theoretical framework for this rather new area of research. We therefore see the need for established internationalization theories to be

questioned or updated by future researcher as the digital service industry is developing in a rapid pace. Since current established international business theories are not always compatible, due to their foundations in physical products, traditionally distributions channels and exporting manners, this would be an area to improve and develop further in order to create a realistic and updated assessment. Further on is the phenomenon and trend of freelancers within the digital service sector interesting as a social development. This new approach of living is made possible through the technological development of a digital world, where the demographic group called “millennials” are leading the way.

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### **Personal Interviews**

J. Lilja - Co Founder Universal Avenue (personal communication, April 16, 2016)

P. Hederstedt Co Founder Universal Avenue (personal communication, April 25, 2016)

J. Ogrady Head of Sales, London Office (personal communication, May 11, 2016)

## **APPENDIX 1**

### **Interview questions – Johan Lilja, CEO and Co Founder Universal Avenue**

- Could you tell us more about your personal background and how Universal Avenue was created?
- Why did you create Universal Avenue in the first place?
- Could you describe the business model of Universal Avenue?
- What is the main strategy behind your internationalization process with offices in London, Stockholm, Athens and Barcelona?
- What are the characteristics for the brands you work together with?
- How do you help your partner brands to enter new markets and internationalize?
- Which are your competitors and how do you differ from other intermediaries?
- Which are your experienced weaknesses and strengths?
- What is the main vision for the future of the company?
- How do you overcome restrictions related to internationalization and new market entries?

### **Interview questions – Petter Hederstedt, CEO and Co-Founder Universal Avenue**

- Could you tell us more about your personal background and how Universal Avenue was created?
- Why did you create Universal Avenue in the first place?
- How come you only work with digital service providers?
- In which way could Universal Avenue influence and change the companies within the DSP sector choose to internationalize?
- What is your vision on internationalization in regard to learning and networks?
- Which type of brand criteria do you have with your partners?
- Which type of criteria do you have on the brand ambassadors, representing Universal Avenue and the partner brands?
- How do you overcome restrictions related to internationalization and new market entries?

### **Interview questions – James Ogrady Head of Sales, Universal Avenue (London)**

- Could you describe your background and current role at Universal Avenue?
- How is the contact with the other offices around Europe?
- Why do you think digital brands choose to work together with Universal Avenue?

- When moving into a new market, how does Universal Avenue secure knowledge and learning from one market to another?
- Which criteria's do you as the Head of Sales see as most important for Brand Ambassadors?
- What measures are taking in order to reduce Brand Ambassadors of damaging yours or the partners' brand while out on the field?
- Future outlook? Possibilities and hurdles for Universal Avenue and DSP's.
- How much value do you put in people with local knowledge of the market?