

A Predominant Internationalization Mode for New Ventures in the App Economy

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Abstract

This research aims to analyze the impact caused by virtual marketplaces on the internationalization modes of new ventures, within the context of the recently born but exponentially growing *app* economy. The framework established by Grönroos (1999) has been keen to group the available internationalization modes for firms by taking into consideration virtual channels. Because of recent changes in the business environment, this framework is used as base for this study in order to evaluate the possibility of extending it, by introducing a new internationalization mode characterized by the sole use of a virtual marketplace. Particular emphasis is put on new ventures given that the *app* economy itself is being highly embraced by these entrepreneurial figures from around the globe.

The implemented research methodology was a multiple case study of three early stage new ventures, Tellyo, Hooxter and Haircult; all in the process of globally positioning their *apps* using a global perspective through virtual marketplaces. Interviews with the founders of each venture were held in order to identify if these marketplaces can be regarded as an internationalization mode, independent from any other, and to understand how these ventures plan their internationalization strategies given the existing environment surrounding them.

Findings showed that it is possible to consider the use of virtual marketplaces as a sole and independent mode for internationalization. By identifying the key characteristics of this particular mode, it was observed that the whole production-delivery-consumption process can be fully completed through the use of virtual channels. Therefore, Grönroos' (1999) framework was updated and implications were drawn considering the new challenges that such a drastic change in the design of internationalization strategies has brought to entrepreneurs.

Keywords: *New Ventures, Rapid Internationalization, App Economy, Online Marketplaces*

Preface and Acknowledgements

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1. Introduction

1.1 Background

A fast changing worldwide economy has nowadays brought possibilities of accessing new markets that may have been previously unsought (Evers, 2011). In addition, besides the traditional well-established firms new ventures have also gained a significant position in global markets; and likewise, young international new ventures are increasingly achieving it on earlier stages (Almeida and Bloodgood, 1996). Moreover, the impact of a globalized economy has allowed specific industries to flourish, being it the case of the service sector; in fact, “services have become a driving force in global economy” (Javalgi, 2003; p. 185).

Furthermore, improvements in technology have played an important role in the business environment for decades. While technological developments were already cause of reshaping the frameworks in which services were perceived (Erramilli, 1990; p. 5); the impact of the current digital era in re-shaping both service firms and its internationalization processes should be recognized and calls for deeper analyses (Ekeledo and Sivakumar, 2004; p. 64).

Nowadays, the time has come for the *app economy* to shape the business environment in which firms operate. Since the launch of the first smartphone as it is known today, the 2007 iPhone, and the posterior launch of Apple’s App Store in 2008, it is possible to find “a world of useful programs that’s making fortunes and changing the rules of business” (MacMillan et al., 2009, p.1). The two aforementioned products could hardly be thought of being relevant in a global business perspective, but the fact is that it has brought Apple Inc. to overtake the oil producing company Exxon as the world's most valuable company on earth, following Wall Street’s stock exchange market. A simple reason underlies it all, “the computing that people used to do at their desks increasingly can be done on devices they can carry anywhere” (MacMillan et al., 2009, p.1).

In brief, an *app* –short for *application*- is considered as simpler software that runs on top of more complex software –such as a computer’s or a smartphone’s operating system. This particular term, regularly used for years within the tech industry, became globally popular so fast that was even elected as *Word of the Year 2010* by the American Dialect Society. In addition, the *app economy*, also a term born similarly, refers to the industry that has been

created around these *apps* and that became enormous in just a few years, as it shall be presented in the following lines. Moreover, this industry is basically formed by developers, the creators of *apps*, and users, its consumers. Finally, a virtual marketplace is what joins both together, being mainly a digital platform that can be accessed from any device such as a laptop, a smartphone or a tablet pc, and is the central location where all *apps* are lodged for users to take.

An *app* is developed to execute specific tasks and fulfills very specific needs of customers. Just to name a few examples, it can be used for fun by playing a game to performing a bank transfer; passing through tasks such as flight price comparisons, reading live news, interacting in social media, grocery shopping with discounts or booking a hotel room somewhere else in the globe.

However, the impact of this small piece of software is remarkable. By October 2010, only two years after its birth, its market in the United States was already accounted for more than \$1 billion USD (MacMillan et al.; 2009); and since then, its growth has been exponential on its following years. As an illustrative example, the giant of Internet, Facebook, has just acquired a small new venture named Instagram for the “shocking” price of \$1 billion USD; resulting in a landmark that makes a clear statement of the *app* economy’s magnitude (Koekkoek, 2012). Besides the publicly known high growth of mobile devices’ sales, the growth of the *app* economy has significantly influenced several other sectors and results are shocking after this small four-year timeframe. According to CNN owned digital newspaper Mashable, the 38 million *app* users counted until December 2011 –considering only the ones from the most common mobile devices- have grown to a total of 84 million by April 2012 (Nielsen, 2012 in Meredith, 2012). Together with the fact that *app* users are currently spending as much time as internet users spend their time (Meredith, 2012), all these figures clearly state the *app* economy’s characteristic of an exponentially growing market. Last but not least, the rise of *app* new ventures has also been significant, creating more than 466 thousand jobs only in the United States (Matthews, 2012) and resulting in the development of more than 1 million *apps* only accounting the two biggest mobile device virtual marketplaces.

As a meeting point, it all conveys to the aforementioned marketplaces that have born within this *app* economy, which may have changed the rules of business. These digital platforms are the virtual place where *apps* are found, purchased and downloaded by users. The impact of this new type of exchange is also remarkable since customers –millions of

users- are all concentrated in just a few marketplaces: Google's *Google Play* (formerly known as *Android Market*), Apple's *App Store*, Blackberry's *App World*, Nokia's *Ovi Store* and Microsoft's *Windows Marketplace*, to name the most relevant ones (Distimo, 2011). Finally, the magnitude and reach of each platform is also breathtaking and two examples shall illustrate it. Google Play had 15 Billion *app* downloads by the beginning of 2012 while App Store, that achieved the same number in July 2011, has already surpassed the 25 Billion downloads in March 2012.

As a result, a huge group of stakeholders have gathered around these virtual marketplaces. Having an exponentially increasing market in a very condensed location made venture capitalists and business angels to widely focus and invest in this industry (Mandel, 2012). This brings as well a rapidly growing amount of new ventures; in fact, 79% of *app* firms have less than 10 employees and they have very narrow product portfolios (The Startapp Team, 2012) and given that the *app* economy itself is less than five years old, it all fits into a typical characterization of a new venture. Moreover, because of the nature of marketplaces –which shall be later discussed- these ventures have sales on international markets, allowing them to be characterized as the modern rapidly internationalizing new venture, according to Luostarinen and Gabrielsson (2002/4b). Last but not least, besides the imminent growth of new services within this market, all traditional services are penetrating it too, including banking and travel firms (Startapp Team, 2012), clearly stating that the birth and growth of the *app* economy is not just a trend, it is a new way of doing business that calls for scholars' analyses and discussion of its implications.

1.2 Research Gap and Problem

A rapidly changing and exponentially growing business environment, due to the fast and increasing development of new technologies –and its applications- has required an active participation from scholars evaluating the impact it may be causing. On the one hand, (Ekeledo and Sivakumar, 2004) shrewdly observed that “e-commerce technologies have created innovative ways to market services abroad”, and that these “are likely to redefine conceptual frameworks for designing entry-mode strategies for service firms”. They refer to the specific need of updating existing frameworks surrounding the service firms’ fields of action given current technological improvements. On the other hand, Zahra and George (2002) discuss the importance of developing updated frameworks in the study of international new ventures, given that a globalized economy allows access to international markets which were previously not part of any plan. In addition, Grönroos (1999) has already developed a new framework for internationalization of service firms specifically taking into account the benefits that online marketing channels, such as the internet, provided to businesses all around the world. Finally, Reuber & Fisher (2011) have recently established an existing research gap in International Entrepreneurship stating that literature has not addressed issues related to the pursuit of opportunities in internet-enabled markets.

Nevertheless, the impact of the *app economy* has already gone beyond existing frameworks and it requires additional contributions. Grönroos (1999) was keen in defining that the design of internationalization strategies was not only following traditional paths but also becoming important through the use of virtual channels; however, it was concluded by that time that any kind of service firms would certainly need the use of physical means at some point during the whole production-delivery-consumption process. The current business environment seems to show a difference, where the service provided, the *app*, is produced, purchased, delivered and consumed with no need of such physical means whatsoever. The resulting case would be that the whole production-delivery-consumption process could now be fully completed through virtual platforms, a situation that has been un-accounted for until present days. Moreover, today’s digital era is even forcing traditional service firms to develop software and compete within this new business environment.

These particular characteristics of the *app economy* may have also caused firms to change its strategic design, especially in the internationalization perspective. It is of particular interest to evaluate new ventures given that they represent the majority of firms participating

in this industry -accounting for more than 80% of it- and that limited access to resources have forced them to typically consider internationalization at later stages, once stable traction has been reached and funding secured. However, if the new virtual platforms, the marketplaces, allow ventures to provide their service globally as soon as they are launched –both, the service and the new venture-, at no considerable costs, it means there is a clear need of evaluating if such scenario is in fact as it looks to be and, moreover, how it has impacted the venture's behavior.

Conclusively, internationalization strategies of new ventures may have changed since recent alternatives for internationalization modes may be available. This study aims to address this apparent gap and poses the following research question:

How do new ventures internationalize within the current app economy?

Therefore, the objectives of the study are to firstly define if the current technological improvements have changed the internationalization landscape; secondly, to evaluate what such changes would mean in terms of existing traditional internationalization modes; and last but not least, to determine the perception and behavior of new ventures in light of these new possibilities for a globally scaled expansion.

1.3 Outline of the Thesis

For starters, the starting section of this study shall define its theoretical frame of reference by combining two separate streams of research. Given that there is little literature referring to the subject in question, the author of this study develops a framework supported by services and by internationalization literature. As such, it will first define the environment in which new ventures have been defined as a unique subject of analysis in contrast to additional distinct types of subjects, such as long term established companies or multinational corporations. The section moves forward with the evaluation of specific conditions that embrace the *service* sector, given that internationalization processes depend strongly what is offered, namely a product or a service. In addition, the study presents the existing internationalization modes and the frameworks in which service new ventures are subject to perform. Lastly, an evaluation of this framework shall be presented in order to propose the additional research needed to determine if updates to the framework would be required.

Secondly, the methodology employed for the empirical evaluation is presented. It is concluded that qualitative research is the most appropriate alternative for this study and that a multiple case study shall be held through the use of in-depth semi-structured interviews. Moreover, arguments are presented in favor of the selected case new ventures, namely Tellyo Oy, Hooxter and Haircult, followed by the presentation of its corresponding interviews with the respective founders.

Consequently, a proper evaluation of the collected data from the case companies is presented and is later analyzed, in order to define the applicability of the findings into the proposed research question. The study is then finalized by presenting conclusions and practical implications and by suggesting possible future research appropriate in light of the key findings.

2. Theoretical Frame of Reference

The present section aims to encompass a review of the relevant existing literature to structure the research question. In this respect, the first focus will be given to the subject being analyzed, the new venture; followed by an appropriate analysis of service firms, which of particular interest within the *app* economy; to finally determine the existing frame in which internationalization occurs and to evaluate the possible need of updating it.

2.1 New Ventures

This opening section of the frame of reference defines the new venture as an independent subject of analysis and discusses its importance towards the research question. Emphasis shall be placed in describing the unique situations and challenges that may affect the strategies drawn for ventures' internationalization processes.

To establish a precise date when the term New Venture was born is very difficult; however, by the late-seventies the United States based Strategic Planning Institute (1978, p. 1) was one of the first to recognize new ventures by mainly establishing its characteristics of being independent and profit centered firms formed by one or more actors. This definition, as broad as it may be, served as a basis for Gartner (1985, p. 698) to identify that a new venture is a unique and multidimensional phenomenon, formed by the individual, environmental, organizational and process dimensions. Each one of these dimensions contained numerous variables that clearly allowed differentiating a new venture from any other kind subject, when evaluating them. Figure 1 presents these variables, categorized under each dimension as stated by Gartner (1985, p. 702):

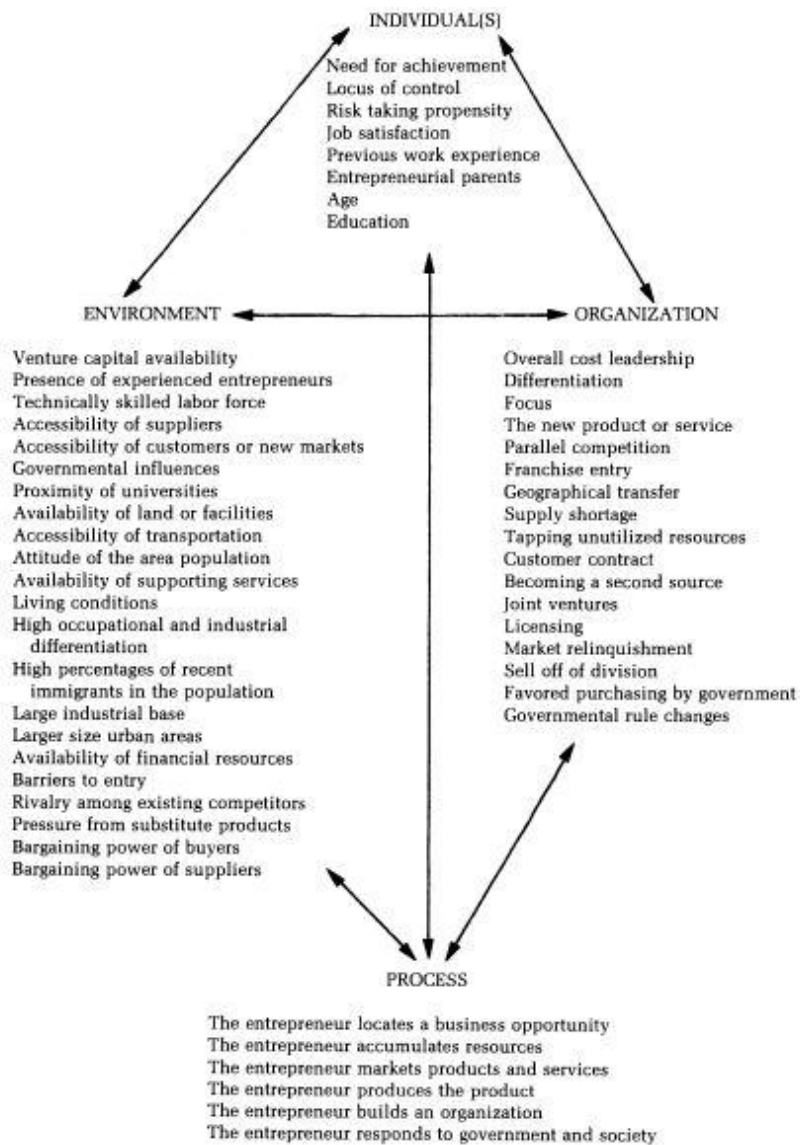


Figure 1. Variables in New Venture Dimensions. Source: Gartner (1985, p. 702)

With no need of evaluating each and every one of these variables, it is possible to understand that more than one of these will help satisfy the assumption that new ventures are different, as the author says himself, "Listing each variable of new venture creation under the appropriate dimension of the framework illustrates the potential for a high degree of complexity in the interaction of these variables within the multidimensional phenomenon of venture creation" (Gartner, 1985, p. 701). This high and unique complexity justifies the initial need of reducing the scope of analysis from any kind of subject specifically to new ventures.

Altogether, all these variables have allowed several authors to identify core characteristics that nowadays are commonly related to new ventures, which will be discussed in the upcoming paragraphs. At this point, it is appropriate to understand that new ventures

are a separate phenomenon; but still, this higher amount of variables significantly increases the degree of complexity into the subject and as a result, it requires deeper analysis in order to target the group of firms intended to be evaluated in this study. Next, an evaluation of the key characteristics surrounding such new ventures is presented.

One of the most important characteristics that nowadays define a new venture is its age, a factor that needs to be taken into account before any other. Even though its name may speak for itself, Brush (1995 in Zahra, 2000) shrewdly defined and argued that these firms are less than six years old. To introduce the time factor into the analysis is crucial since it has provided scholars the possibility to evaluate the characteristics of a young company such as a new venture in comparison to well established firms. In any level of analysis and from the organizational structure to the internationalization approach, a new venture and its performance will be quite different due to numerous reasons, like its reputation or access to resources, just to name a few. Therefore, the first characteristic defined for new ventures to take part of this study is its age, being the requirement to have six years or less.

In addition, high growth is also a concept that takes part in this analysis and is directly linked to new ventures as the ones this study aims to evaluate. The repercussions of high growth in any firm have been studied for years and Hambrick (1985) identified *stumblers and stars* in such topic, describing the high impact and resulting challenges that high growth represents both in firm and managerial levels of analysis. Moreover, it is possible to define that the intended firms to be evaluated are new ventures aiming for high growth since its inception.

In this respect, Barringer et al. (2005) permit to clearly position this high growth characteristic together with the new venture by providing several factors that affect and explain such startup's performance. The authors present a wide list divided into founder's characteristics such as higher education or entrepreneurial experience; firm's attributes such as commitment to growth, planning or geographic location; business practices such as innovation or product superiority; and human resource management practices such as selective hiring or performance based incentives. Although all these characteristics can – independently or altogether- influence the firm's achievement of high growth, the key learning to take from the purpose of study is that high growth is not just a result that happens in some companies, it is in fact a matter directly linked to new ventures and to achieve it with higher results than the average firm is a clear management's goal. In light of the current

business world, the *app* economy is definitely capable of offering high venture growth possibilities given its imminent scalable market, boosted by the existence of few virtual marketplaces uniting all potential customers. It is possible then to conclude that high growth is a new venture characteristic that shall be considered in this study.

The patterns of behavior itself in high growth new ventures are also a factor to consider, since it is differentiated from the ones at established market players. By analyzing two separate groups, new ventures and mature firms, Siegel et al. (1993) found that high and low growth firms from both have indeed separate qualities. High growth new ventures, as the study concludes, behave differently than any other high or slow growth, mature or new venture because of their common characteristics such as possessing smaller managerial teams, less financial resources and so forth. These ventures were found to act more efficiently by focusing much more on growth itself due to this lack of resources, which did not happen in mature ventures where slower steps but with greater product or service diversification was most common. In this respect, the key learning here is that new ventures have very specific and unique strategies drawn due to their current circumstances and learn to focus on one strategic, narrow segment and aim to squeeze its development as much as possible, resulting in a unique characteristic. This behavior becomes, as a result, another characteristic that would fit the analysis of new ventures that this study aims to evaluate, where high growth firms actively search for it acknowledging their real limitations and challenges. In addition, it also shall be considered the fact that differences are found between new and mature ventures and that new ones may face more critical challenges since everything is new for the venture. In this respect, it shall also be considered that new ventures in earlier stages are of particular interest.

Nonetheless, the characteristics of the products or services offered by these new ventures should be also evaluated given that only the characteristics of the venture itself have been evaluated so far.

In this matter, the first and most common idea that comes into discussion is that the offered goods or services of new ventures are innovative. The concept of innovation and new venture development has been discussed hand by hand for at least a century, where countless studies and thinkers have described tight relationships between both and, at the same time, have described new ventures as critical shifters of economies. A pioneer of such thinking can be pointed towards Joseph Schumpeter (1942), who was very keen to introduce the concept

of *creative destruction* into economics by identifying the entrepreneurial man of action as key agent, in contrast to the conventional economic man. Although discussed in several publications, Schumpeter (1939) defines innovation as a concept and driver for economic change, and even more, includes the entrepreneur as the one figure performing such task. In this respect, until present times it is possible to observe that firms aim to bring innovative, breakthrough ideas. After all, regardless of the offer –products or services- ventures are entrepreneurially minded in order to expect a higher probability of success within the goals set. It is not difficult to imagine such attribute from new ventures because it is in their nature to be smaller in size, with a managerial team able to cope with fast environmental changes and adaptations to the situation allowing entrepreneurs to adjust their actions on the go. This is a high flexibility that can only be found in new ventures resulting from the previously analyzed characteristics –the earlier the better-, and is in fact valuable to include as an attribute to the firms that are expected to be evaluated in this study. As Schumpeter (1939) believed himself, new ventures boost economies, and now it is time for the *app* economy, which the world has seen born and growth in such a small period of time.

Moving forward in this thread, it is now possible to link together the previously discussed characteristics and understand that new ventures aiming for high growth, supported by an appropriate development of innovative products or services, cannot and will not be fulfilled with just satisfying its local market. A new venture shall look forward to exploit international markets, beyond common geographically adjacent ones, because of the potential embedded in its business idea, which in practice will be reflected in the strategy designed to achieve the expected high growth. In this respect, research of international entrepreneurship has reached a breath-taking speed (Zahra et al., 2005) and shown that internationalization processes happen earlier in a new venture's life. First of all, an underlying but crucial comment here is that the authors clearly explain the validity and need for others to study and evaluate from all possible perspectives what happens in internationalization processes of new ventures, and how. Given this, the work to be presented in the following sections may be relevant to fulfill such need. Furthermore, Zahra et al. (2005), while focusing on the application of a cognitive approach to entrepreneurs in order to show their motivations to internationalize, the authors make it clear to understand that new ventures design internationalization strategies consciously, because of an existing need to exploit opportunities in foreign markets to be able to achieve the high growth part of their objectives.

With no need yet to discuss how important it may be to develop internationalization strategies, the key learning so far is that new ventures have been proven to display distinct characteristics and present unique attributes that allow this study to exclusively focus on this particular type of phenomenon. However, it would be mistaken to conclude that new ventures will not need to equally plan and execute a firm's development in accordance to its growth. In other words, it is necessary to evaluate if new ventures still need to plan and design strategies –among other crucial actions- in order to become successful in their attempts, since it may not be possible to do so just because of possessing a good idea or a good innovation in its hands.

Therefore, to ensure if new ventures need to be keen about their strategies –especially about the internationalization ones- Zahra et al. (2005) are able to conclude that both new and well-established ventures “have to work hard at discovering, framing, enacting, selecting and exploiting opportunities in foreign markets” (Zahra et al. 2005, p. 143). This is a starting point to understand it is not possible to believe that new ventures would be exempt of planning for strategies, *framing and enacting* on them, as it is stated. Several other authors have also been able to explain the importance of strategy planning in new ventures, such as Baum et al. (2001) where their multidimensional study for venture growth concludes that such firms are immersed in a very complex frame and that entrepreneurs will face challenging scenarios until successful competitive strategy and performance are both achieved. In their study, it is clearly concluded that “CEO's specific competencies and motivations and firm competitive strategies were direct predictors of venture growth” (Baum et al., 2001, p. 292), providing a categorical statement that strategies are a crucial factor to consider when expecting new ventures to succeed in their activities. However, the need to establish a positive relation between both may still be present and the answer is also found in this study. The design of competitive strategies was evaluated and showed that “differentiation strategies related positively to venture growth” (Baum et al., 2001, p. 301), serving to ensure that strategy design indeed can and shall affect a venture's performance. Therefore, such correlation makes it then crucial for the managing team, the entrepreneurs, to design strategies that face upcoming challenges creatively and innovatively, just as the venture's product or service may be. Otherwise, to avoid the inclusion and development of strategies since the birth of a new venture could be critical and most probably would result in the appearance of numerous challenges as soon as the venture faces the business world without any clear and focused preparation. In this sense, given that internationalization is a

fundamental part of new ventures looking to achieve successful high growth –as already discussed-, it can be understood that the design of internationalization strategies carries a significant importance too.

Together with this, given that new ventures seem to internationalize earlier and closer to their inception –as also discussed-, the need of designing internationalization strategies on very early stages shall also be high in order to better assure a venture’s success. Studies on Born Global firms serve as a good tool to make sure that internationalization does happen at very early stages of a new venture. In this approach, it is possible to see that in recent years the trend of some new ventures is to plan to actually become international since inception; as its name says, to be a born global firm. Regardless of the positions in favor or against such denomination, research is presented and findings show considerable amounts of firms being developed that expect to be international because of the nature itself of products or services, and even further, where entrepreneurial behavior, innovation and young inexperienced startup firms are some of its characteristics. Gabrielsson et al. (2008) clearly establish these characteristics to be essential parts of a firm’s plans of being international, finding enough data to probe that ventures have to create internationalization strategies even before inception, on previous planning phases. This means that nowadays it should be required for ventures within the *app* industry to at least consider fast expansion strategies that will allow them to cope with the pace that the existing platforms may generate.

Conclusively, it is of interest to this study to evaluate whether new ventures in the *app* world create internationalization strategies on its initial years. In this respect, it has been established so far a clear characterization of what kind of firms are expected to be evaluated, being these early stage new ventures, aiming for high growth whilst being entrepreneurially minded, performing innovatively and creatively in their strategy design and offer of products or services.

However, before being able to initiate an overlook of existing internationalization theories, there is still a gap in understanding the conditions of what exactly is offered by these new ventures. Better said, so far it has been studied the characteristics of new ventures themselves, but not of their products or services. As previously mentioned, *products and services* seem to refer to different objects of study because of the simple reason that they are always mentioned separately, providing reasons to believe it could be supported by the same logic used to define if new ventures are whether different or not from mature established

companies. In addition, it is clear that the *app* developing new ventures that shall be evaluated in this study are after all software developers. This leads to think that selling software could generate different behaviors of these ventures and perhaps to *play* by different rules than other types of goods or services, from aircrafts to healthcare services.

As a result, it is unclear at this point if such differences exist; therefore, a thorough evaluation of any particular characteristics and differences of products and services is needed, to ensure that the appropriate frame of reference is applied to the new ventures under the scope of this study.

2.2 Services

“Service firms constitute the largest and fastest growing segment of world economy” (Majkgård and Sharma, 1998; p. 2). This section of the study is oriented towards developing an appropriate scenario surrounding the production of services, in contrast to manufactured good. In addition, more specific differentiations shall be established in terms of hard and soft services, to later evaluate of the impact of such services in a venture’s performance. The objective of this section is to identify and understand any specific qualities of new ventures providing services are needed to be considered, as a previous step required before appropriately assessing how internationalization strategies are affected by such differentiations.

2.2.1 Core Characteristics of Services

To begin with this journey, a breaking moment in time has to be referred when the study of services –as a separate subject from products- gains considerable strength around the beginnings of the nineties decade. Most of the research until then was held on a basis of manufacturing firms but in this moment a vast group of scholars provided relevant attention to service industries (Coviello, 1999).

Firstly, Regan (1963) and Rathmell (1974) may have been the first authors to express that services are different from goods (Majkgård, 1998); but furthermore, Zeithaml et al. (1985) clearly describe that services are in fact different from goods providing sufficient reasoning and findings that served as a core characterizations of what services are nowadays. Numerous following authors have agreed on such statement –such as Buckley et al. (1992); Dunning and Kundu (1995); Edvardsson et al. (1993); Erramilli (1990, 1991); Erramilli and Rao (1993); Li (1994); Sharma (1988); Sharma and Johanson (1987); Sijbrands and Eppink (1994)- who altogether have built up a separate and independent branch of studies exclusively focused on the service industry. This results in the need of evaluating theories that show differences between products and services, maintaining a focus on finding whether there may be clear impacts towards internationalization strategies of new ventures.

In their work, Zeithaml et al. (1985) identified distinct characteristics that allowed them to affirm that services are in fact different from manufactured goods. As such, services

were classified as being *intangible*, given that it is not possible to physically grasp or put hands onto it; *inseparable*, since the service producer cannot be separated from the consumer; *heterogen*, since it will not be feasible to produce exactly the same outcomes every time as evidently as it could be done with a scaled manufactured product; and *perishable*, since a service will simply disappear after it is provided, in contrast to a manufactured good that will remain being a physical object after being passed from provider to consumer.

In addition to these, Cowell (1986) presents a fifth core characteristic named *ownership*, which is helpfully explained as the moment where “the customer merely buys the right to use, to access or to hire the service” (Buckley et al., 1992, p. 39). Altogether, this clear classification serves at the same time as a definition of a service which, as already mentioned, became the basis of extensive work afterwards and is considered as starting point for this analysis. On the one side, these characterizations are quite clear and no argued reasoning is found stating that a service cannot be cataloged as one if these characteristics are met. On the other, however, it has not been possible to define whether a service can or cannot be considered as one *only* if it fulfills all of the previously presented characteristics. By keeping in mind the fact that *apps* digitally provided through virtual marketplaces, the question is raised towards the possibility of a service that fulfills one or more of the characteristics but not all, if it can still be considered as one. It has not been possible to encounter a definite answer that allows arguing in favor or against this question, requiring then a provisional position to be taken in the sake of this study and its relationship of services –or products- to software offered in the *app* economy. In this sense, given that a service is characterized as not homogeneous and that it can as well be very different from one another, the author of this study believes it is possible to consider that a certain service could still be a service in spite of not fulfilling all of the core characteristics. Using this temporary assumption, the upcoming task is then to find out if whether *apps* can be considered a service –or not- if it fulfills all and or some of the core characteristics described at the beginnings of this section.

The offer provided by *app* developing ventures certainly fit in one or more of these descriptions of a service. As discussed in this study’s introductory background, *apps* are a software development that aims to fulfill specific customer needs through very unique digital platforms. In this respect, these *apps* perform a specific operation and are offered to customers for consumption by employing computing and/or mobile devices, such as laptops, smartphones, tablet pc-s and similar. Some of the core characteristics of a service can be

applied to software applications, such as intangibility, being a property that cannot be argued against. Software is intangible, not physically palpable –although it is stored in electrical devices such as a computer’s memory- the program itself appears on a device’s screen. In other words, if a customer purchases an *app* from a marketplace, it can be downloaded to the customer’s device, e.g. a smartphone, and is executed in it. The physical object that is palpable all the time is the phone and the software itself cannot be touched. Because of this, software is clearly intangible. The case is similar when considering the ownership characteristic, where the customer who acquires an *app* will own the right to use it, more than owning the software itself. This is better understood when more buyers are brought into consideration, since all will not own the software per se and neither can make changes to it. As such, the *app* remains as property of the developer while customers acquire its right of use, validating the ownership characteristic of services.

By now, *apps* seem to fit with no problems under the core characteristics of services; however, this statement may not be so categorical when evaluating the remaining categories. When it comes to heterogeneity, a software program is actually homogenous, contrary to a service’s characteristic. One *app* purchased by a customer is not different from another one purchased by a different customer, it is precisely the same without discussion. Given that a software program is developed under a common base platform, it is not possible to compare it to e.g. a health service provided by a doctor, which is hardly the exact same service given from one patient to another. Furthermore, it is not possible either to affirm that an *app* is inseparable since it has been developed in a previous stage to its commercialization. *App* developers have created the software and it is ready to use even before the customer purchases it; and when the sale takes place, the consumer uses the *app* without the presence of its developer. In fact, it would be impossible that the developer is present at the same time that its program is launched and used hundreds of thousands of customers at the same moment, all over the world, confirming that the supplier and the consumers are clearly separated. Last but not least, services are supposed to be perishable, but this is not the case of an *app*, either. Such a program does not vanish as soon as the developer has provided it and the customer has consumed it; in fact, the consumer is entitled to use the software as many times as the purchase agreement has been signed for. Since the customer buys a right to run the program, the contract will define how many times it can be used and, even if the agreement states that only one use is allowed, the program does not vanish, it is still available to use an unlimited additional amount of times by other customers without requiring the

author to develop it again. Conclusively, this last analysis showed that *app* programs are not heterogeneous, inseparable nor perishable. On the contrary, they are completely homogeneous, suppliers and consumers are completely separated at the moment of the software being executed and the software will not perish at all after being run once.

Given this, software apps have proven to have characteristics of a service, but not all of them. The unfulfilled characteristics of a service may suggest the assumption that these programs could *behave* as manufactured goods in some aspects; or, in any case, that they do not behave as services. This situation still calls for the need to clarify the previously made assumption that not all services may be similar, to ultimately be able to precise in how could *apps* be appropriately defined and placed.

2.2.2 Soft and Hard Services

In this respect, it is possible to believe that not all services may fulfill the same characteristics given that “service organizations can be very different in their nature” (Coviello, 1999; p. 47). Even more, a study by Erramilli (1990) allowed the author to observe that “the service sector is characterized by considerable diversity, especially in comparison to the manufacturing sector” (Erramilli, 1990; p. 57), simultaneously allowing to suggest that not all services’ core characteristics have to be fulfilled. The greater amount of emphasis was given to the inseparability characteristic, where in contrast to previous thoughts, it is not at all universal for a service, but it is selective and cannot be applied to all services. In this matter, the nature of the service itself, as explained by the author, can be separable due to reasons such as technology, that as an example have let the possibility of long-distance banking to exist when banking has historically been a service that happened in an office, with the agent and the customer sitting one in front of the other. Having redefined this scenario, one of the most significant contributions to the study of services presented by Erramilli (1990), who based himself on the stated observations to clearly identify two different types of services: *soft* and *hard* ones. Soft services, as explained by the author, require that the separation of the production and consumption is not separated, stating that “The producer and receiver of a soft service should be in close physical proximity, enabling production and consumption to take place simultaneously” (Erramilli 1990; p. 57). Given that *apps* are separable and its production does not happen simultaneously to consumption; these are not soft services.

On the contrary, “Services for which production and consumption can be decoupled can be termed hard services” (Erramilli, 1990; p. 57). This term, named hard due to the encountered similarity to physical goods, allows understanding that some services can be produced and consumed in different moments, in completely different places. As such, services could even be exported, something not considered as possible until then, by “being embodied in some tangible form (such as a disk, blueprint or document)” (Erramilli, 1990; p.57). This specification allows placing several types of services previously unclear of its characterization, such as software consultancy work, architectural design, and similar. To be sure, software can in fact be considered as a hard service since it can be embodied in another form and sent to its receiver; and, to make it more specific, apps currently developed may not be packed in physical disks anymore, but are still embodied in virtual platforms, such as an online marketplace- making it available for anyone to purchase, anytime of day and anywhere in the world. Therefore, *apps* are a hard service.

2.2.3 Hard services and internationalization

It is now possible to start evaluating what it means for new ventures to be hard service oriented, keeping in mind the imminent upcoming subject of internationalization strategies. As previously stated, organizations within the service sector are different and by that, there are as well differences between products and services. Erramilli (1990) himself clearly evaluates during his study the main issue of international entry mode, looking to understand how do service firms enter individual foreign markets. Regardless of the types of entry mode that have been identified nowadays –which shall be studied later on this work after establish an appropriate basic landscape- it is still necessary to position internationalization practices in the scope of a hard service oriented firm. Given that it is feasible to know at this point that there are differences in behavior of hard service oriented firms, an evaluation of such statement needs to be carried out to confirm it.

Studies confirm that hard and soft service oriented firms differentiate from each other. Majkgård and Sharma (1998) insightfully stated that, since hard oriented services are more tangible, they can be more standardized and less customized. Such possibility of standardization can clearly imply that there is feasibility for economies of scale and, as the authors express, hard services are internationally tradable. Several key outcomes are derived from such finding, namely related to the fact that there are alternatives to consider when

internationalizing hard services, that they are internationally tradable, and that if so, not all internationalization modes known will be equally appropriate for hard and soft services. When thinking of soft services that are less tangible and cannot be separated, it means venture has to engage into active participation modes in the target countries or markets to be able to comply with the closeness-to-consumer requirement. This leaves few choices such as live presence abroad or a need to contract -or engage in contracts with- local representatives. On the other hand, hard services such as software apps, which can be embodied in a physical object such as a disk or in a virtual place such as an online marketplace, could benefit from other internationalization methods by the simple reason of having no need to be present by the time the service is provided. In this sense, a whole new scope of alternatives can be thought, related to activities such as exporting –shipping products abroad- or similar ones.

So far, it is necessary to mention that this section has been useful to understand – firstly- that both new ventures and mature firms employ similar internationalization modes regardless of their product or service offered and –secondly- that new ventures providing services may employ very different internationalization modes depending on the nature of its service. It has been possible as well to establish that *app* developing firms are part of a very specific part of the service industry, the *hard* service one. The analysis of what kind of service is provided by *app* developing firms has therefore been suitable, justified and helpful to the overall objective of this study.

Furthermore, the different kinds of entry mode choices seem to be available for hard services and can now be evaluated, just as this study has intended throughout this work. To ensure that an appropriate framework of internationalization strategies is given for such firms, particular interest on today's context must be given, where new issues such as the existence of new delivery channels, digital ones like the virtual marketplaces, have become a key subject to consider. To accomplish the development of the aforementioned framework, a new section of internationalization is needed and is subsequently introduced.

2.3 Internationalization

“Similar to smaller firms, service firms are active in international markets” (Coviello and Martin, 1999; p.41). Having performed a thorough analysis of specific characteristics that clearly define the scope involving new ventures –and its entrepreneurial management teams– and the implications of providing a hard service as main business activity, this section, firstly, evaluates existing entry modes to international markets; secondly, analyzes specific conditions that may affect choices of hard service internationalization; and finally, discusses the applicability of such strategies into today’s context of the *app* economy.

2.3.1 Definition and Traditional Internationalization Paths

In the subject of internationalization of firms extensive literature exists, but it is not difficult to encounter a common agreement on what does internationalization means on the first place. In this respect, a broadly used definition states internationalization as “the process through which a firm moves from operating solely in its domestic marketplace to international markets” (Andersen, 1993; Buckley and Cason, 1998; O’Farrell et al., 1998; in Javalgi, 2003; p. 186). Given this, few questions may directly rise such as how to move out from a home marketplace to an international one, when to do so or which could be the alternatives for it. Even more profound questions are also raised such as what could happen if the given marketplace serves both the domestic and the international markets at the same time, as technology appears to allow in the current *app* economy environment. However, and before entering into such detailed questions, a previous establishment of what are these internationalization modes all about is needed, especially considering a perspective of new ventures and of hard services.

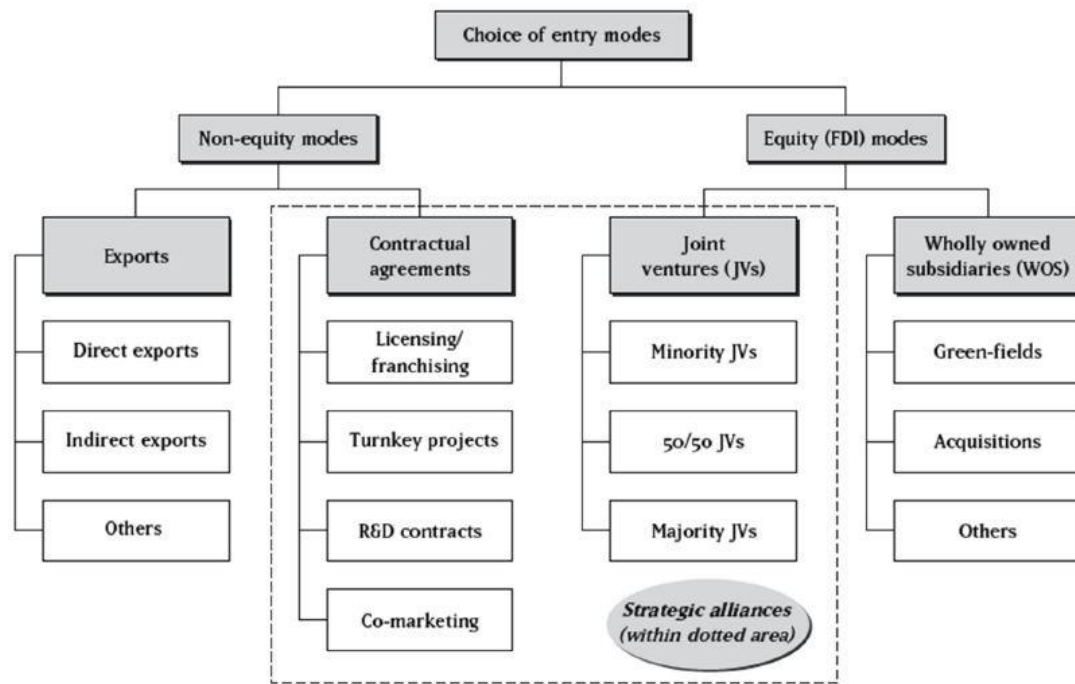
2.3.2 Internationalization Modes and Hard Services

First of all, Ekeledo and Sivakumar (1998) help to ensure that foreign entry decisions are noticeably different between hard and soft services. Moreover, “foreign entry decisions do not differ significantly between hard services and manufactured goods” (Javalgi et al., 2003; p. 187). In addition, hard services possess a wide selection of entry mode choices in comparison to soft services. Besides stating clear differences between hard and soft services,

Majkgård and Sharma (1998) continued their study and presented that hard service firms are able to use internationalization paths in a similar fashion of manufacturing firms. Hard services are more tangible and because of that, they can be more standardized and less customized; furthermore, “standardization is helpful in producing economies of scale and allows separation of service consumption from its production” (Majkgård and Sharma, 1998; p.15). The authors are categorical in stating that software firms produce hard services, and it has not been possible to find any literature that would argue against this position. Knowing that *apps* are in fact software, it is possible to continue through this line.

The authors further present that software can be packed in physical devices such as disks, meaning that consumers do not need to be present with the provider to receive the service. Furthermore, these software services can be consumed on another moment than when the purchase happens. Therefore, to consider internationalization modes such as exporting is a clear option, just as if the discussion would be focused on manufactured goods. Given this, it is necessary to firstly find out what are all the existing alternatives of internationalization, to secondly be able define which are the most suitable for hard service firms, especially now that it seems feasible to relate it to the internationalization of manufactured goods.

Literature identifying internationalization modes has been present for several decades and has presented alternatives from several different perspectives. Pan and Tse (2000) have prepared a detailed informative grouping of these and results are shown in the following Figure 2.



Source: Y. Pan & D. Tse, 2000, *The hierarchical model of market entry modes* (p. 538), *Journal of International Business Studies*, 31: 535–554. Adapted graphic by Peng (2005).

Figure 2. Traditional Internationalization Modes. Source: Zettinig (2011)

Figure 2 shows with precision that two main types of internationalization exist, Equity and Non-equity modes. These have been identified by numerous scholars through time in efforts to explain the reasons behind firms to choose a certain way of internationalization. The left hand side of the figure presents Non-equity modes of internationalization that simply explain there has not been active investments from the firms side in the destination country. As an example, a firm that exports has no investments abroad. Such Non-equity modes can also bring contractual agreements into discussion, where the firm does not invest abroad either but through a contract it allows a local counterpart to take on activities. In this sense, franchising or licensing agreements, among others, are placed. On the other hand, Equity modes represent those where the firm has invested in the target country, also with the alternatives of doing it through contractual agreements –such as joint ventures- or not –like fully owned subsidiaries- among others.

It has been necessary to present all these alternatives since there is a possibility for hard service firms, such as *app* firms, to internationalize using any of them because of its similarity to internationalization modes of manufacturing firms. By looking at Figure 2, both equity and non-equity modes are applicable. It can be seen that hard services could enter into equity modes of internationalization regardless of the product or service offered, since it is

about establishing legally overseas, whether as a subsidiary or a joint venture, there is no limitation of product/service kind. Conversely, services firms have been traditionally thought to not be able to perform some of the non-equity internationalization modes, e.g. exporting, while all manufacturing firms have no limitations in this sense (thinking of the product itself). However, it has already been proven that hard services can be exported because they can be embodied in physical objects and shipped. As a conclusion, software firms, that are hard service oriented firms, have no limitations in *choosing* from any of the above alternatives to internationalize if evaluating from the type of service offered perspective.

Furthermore, the fact that hard service ventures could pick any internationalization mode doesn't necessarily mean they will do it randomly. There is no need to dig deep to understand that there must be factors influencing firms on their internationalization choices, which need to be evaluated next. Finding these factors shall assist to later establish what strategies have software firms been used to implement. The following section tries to find answers to these immediate actions required.

2.3.3 Entry mode choice and hard service new ventures

In the upcoming discussion, a literature review of relevant international mode choices is presented, in relation to key factors that may affect choices of hard services and new ventures particularly focused on delivering software services to consumers –as it happens with *app* firms- from a contemporary point of view.

Literature is significantly large when it comes to internationalization theories. Therefore, it may not be wise to develop an evaluation of it all before taking back into account the fact that new ventures are part of the discussion. It was understood that key characteristics of new ventures were those related to low access and availability of financial resources, the will to become international since inception as part of an entrepreneurial behavior and the ability to provide a product or service attractive in international markets. These factors are certainly useful to narrow down the scope of entry mode choices and will be evaluated next in an orderly fashion.

In order to explain the relationship between a new venture's low availability of financial resources and internationalization choices, there is a need to date back to traditional perspectives, which explain the driving forces behind firms directly affecting on the decisions

taken. In this respect, the transaction cost economics (TCE) has served as base to numerous studies explaining that the cost perspective is the natural driving force for a firm to choose its internationalization strategy. Representatives of this view, such as Anderson and Gatignon (1986), Beamish and Banks (1987), Gatignon and Anderson (1988), present that a firm will decide on how to go abroad depending on a thorough cost analysis that will tell which of the alternatives is optimal for the firm. In this same thread, the Internalization Theory (Buckley and Cason, 1976) follows these steps to conclude that firms compare transaction costs –e.g. negotiating with representatives abroad or controlling them- against foreign direct investment costs –e.g. establishing an own production of goods abroad. In this sense, firms *internalize* their business activities, or not, depending on the cost-benefit outcome of the forecast. Finally, this theory concludes that the so called low-levels of entry, referring to the non-equity modes such as exporting or having sales representatives abroad, become the default modes of operation, given that financial resources are always scarce. This approach is of substantial importance for the purpose of this study since financial resources are particularly crucial for new ventures (as previously discussed under section one). Given that new ventures face challenging economic situations due to the nature itself of building up a new business, Internalization theory would suggest that these firms will tend to define international strategies in the low-cost side of entry modes. It is possible to comply with this suggestion: since *app* new ventures face such challenges, a low cost internationalization strategy will most probably be implemented.

However, there is a need to simultaneously discuss the impact of the current technological context surrounding the *app* economy. Internet access has spread worldwide and online virtual platforms may nowadays play great influence in software firms. Because of this, even if low cost strategies are preferred, it is not possible to assume with great certainty that e.g. exporting would be a natural choice for such firms.

Given that *apps* present quite new characteristics in business activities, the software itself may have become a subject of discussion. It is known that the product or service offer will indeed influence a firm's line of action. When it comes to internationalization strategies, Ekeledo and Sivakumar (2004/b) support this perspective through a Resource Based View by stating that the resources of a firm, including the product or service offered, will play a crucial role. Firms able to acquire advantages through optimal usage of its resources will be able to successfully internationalize. In addition, within a Born Global theory perspective, Luostarinen and Gabrielsson (2002) and Gabrielsson et al. (2008) found that new ventures

willing to be international in early stages have to develop a *global* product or service capable of delivering value both in national markets and abroad, especially since financial resources are scarce and implementing a broad product portfolio is not frequently possible.

Following these perspectives, it is possible to realize that *app* firms fit such categorizations, where the need for developing low cost internationalization strategies is still present, while a narrow product portfolio together with a product that is applicable internationally are required. However, before jumping to conclusions the last remaining issue raised needs to be brought in for evaluation. Therefore, the following section discusses a possible impact that current technologies may have directly brought to international market entry choices.

2.3.4 Internationalization and current technologies

Apps can be available worldwide within seconds through the click of a mouse. It is now possible to integrate the challenges that have just been described together with the current technological improvements. Nowadays, Internet allows any firm's presence everywhere and literature in the last decade finds it possible that software firms may use this platform as a low cost alternative for internationalization. Even though in early years authors such as Vandermerwe and Chadwick (1989) already forecasted that technology was going to revolutionize internationalization strategies of service sector, authors now categorically confirm that "Technological advancements, as far as for example the Internet and satellite and digital television are concerned, have created totally new forms of internationalization" (Grönroos, 1999).

Professor Christian Grönroos, whose line of thought has been mainly focused on developing a service theory in general, is one of the most influential contributors to the Nordic School in Scandinavia (Kyrö, 1995; p. 77), and has aimed to develop frameworks for internationalization of service firms including the constantly renewing influence of technologies. In his model, Grönroos (1999) proposes a new division of internationalization modes, especially considering the technological improvements which, by his time, represented the access to internet and its relationship to the service sector. Even if the study is presented disregarding if a firm produces goods or services, hard or soft services, the author is proposes a revolutionary perspective of internationalization modes including, probably for

the first time, electronic marketing as one independent strategy of internationalization. The framework is then completed by two equity and two non-equity modes, resulting in five strategies overall. Electronic marketing has been included as an independent internationalization strategy, but not necessarily exclusive, and is explained as an alternative for firms to gain presence internationally through online channels, namely the Internet. The following Figure 3 presents an overview of this framework:

Framework of Internationalization Modes for Services

Mode	<i>Corresponding Traditional Internationalization</i>	Key Characteristic
Direct Export	<i>non - equity modes</i>	Domestic production of the good or service and shipment abroad.
Indirect Export		Joint export effort by two or more firms whose products and/or services complement each other
Direct Entry	<i>equity modes (FDI)</i>	Total or partial ownership (e.g. wholly owned subsidiaries, joint ventures)
Indirect Entry		Local operation without ownership (e.g. Licensing, franchising)
Electronic Marketing	-	Extension of a service's accessibility through advanced technology (e.g. Internet, cable TV)

Figure 3. Source: Grönroos (1999). Elaboration: Vicente Abril

In addition, Ekeledo and Sivakumar (2004) have been able to include into this same topic the concepts of digital services, being fully- or partially-digital; and at the same time core or supplementary to a firm's endeavors. In a broad sense, digital services are also presented as the ones offered electronically and include software as a part of it. The authors find that digital services might as well benefit from electronic marketing, and even more, from direct e-commerce, where purchases happen through virtual platforms.

When considering *app* firms, the case is very similar and serves as an excellent supporting approach to what is happening in the current context. The aforementioned literature helps to explain that there is a possibility to design an internationalization strategy for *app* firms based on electronic marketing. If the variables that have been included during this work are brought back, it is possible to see that electronic marketing fits to new ventures in the *app* world: it is a low cost solution to help overcome financial scarcity, it provides immediate international visibility if the *app* has been developed to fit external markets, and can be of immediate high growth if appropriate marketing is performed given the extensive amount of potential consumers using online services. However, these frameworks still fail to

acknowledge that it is possible for firms to engage into a completely virtual internationalization mode, such as the case appears to be given this current *app* economy. Therefore, there is a need to propose a suggested framework which includes such possibility and it shall be discussed in the upcoming lines.

2.4 An updated framework for internationalization modes in today's world

As already evaluated in this study's introduction, the *app* world has grown to be the leading digital economy and cannot be overlooked of being studied nor disregarded as a *too specific* topic. Existing literature does not explain situations where firms could be completely independent from physical and local production in foreign markets. Even more, these firms may face a completely different situation since their target market is not formed by millions of potential customers scattered worldwide surfing on the Internet, but they are now concentrated in very specific marketplaces, not more than five to be precise. The upcoming lines evaluate the reach of existing literature in these issues and propose an updated framework, to later perform the required field research and determine its validity.

On the one side, Grönroos (1999) and Ekeledo and Sivakumar (2004) agree that hard services –also named digital services, respectively - can be extensively reproduced through online channels. As a matter of fact, online presence will automatically attract customers from international markets even if this is not wanted (Grönroos, 1999). This seems to be the situation of *app* firms too, since *apps* are completely distributed online and no need for embodying on physical goods is present anymore. On the other side, the aforementioned scholars explain that firms still depend –on one way or another- on the *real* world, the physical world, and cannot acknowledge a separation of both. In this respect, Grönroos (1999) observes that once a service is made available internationally, “a local service offering has to be developed in the new market” (Grönroos, 1999; p. 293); arguing that even for services that decide to internationalize fully focusing on electronic marketing mode, a part of the service still needs to be done locally. As it is explained with an example, a postal service will in a very last instance provide this local service when delivering a service purchased online, assuring this way that the local component is always present when going abroad. Moreover, Ekeledo and Sivakumar (2004) build up proposals in which e.g. the use of fully-digital services affect posterior entry mode choices, such as establishing fully owned subsidiaries in the target country. In this sense, this conceptual framework acknowledges that “e-commerce technologies have created innovative ways to market services abroad” (Ekeledo and Sivakumar, 2004; p. 65); and furthermore, that these “are likely to redefine conceptual frameworks for designing entry-mode strategies for service firms”. However, the propositions stated recommend that further analysis should be done since there are still obstacles such as

language limitations, intellectual property issues or trade barriers, which may suggest that firms would prefer other types of internationalization different than electronic marketing.

The implications on internationalization decisions caused by today's *app* world are not explained by either of these cases. As a matter of fact, it has not been possible to find literature that addresses this specific issue. Because of this, it is necessary to establish the possibility for a new internationalization mode that explains what happens in today's world given that most consumers are concentrated in single huge marketplaces, that are platforms which at the same time serve as direct distribution channels. These marketplaces are the online platforms where the all *apps* are offered by suppliers but now, they simultaneously serve as delivery channels, possibly eliminating the need of keeping "contact" with the physical world.

Given this scenario, *app* new ventures face a different challenge and perhaps a different perspective of internationalization strategies is born. Previously, digital firms whose internationalization strategy was set to use electronic marketing had to develop plans to attract scattered customers worldwide. Nowadays, *app* firms' customers are already identified and it is known how to reach them, since they are the users concentrated in the marketplaces. As a result, it is possible to suggest that *app* new ventures planning to be international on an early stage will aim to be successful through these marketplaces, and not just use it as a supporting tool. If this happens, *app* new ventures will be able to sell its services to millions of consumers worldwide without any additional needs to consider.

In this same line, there is also a need to evaluate the characteristics of the service offered. Grönroos (1999) determines that a service will always face the challenge of being customized to local cultures. Specifically, there is a language barrier that cannot be overlooked. However, the current environment suggests the possibility of having a few marketplaces where firms develop "global" *apps*, to be consumed by any user regardless of its location. As such, it is needed to confirm what the impact can be of a marketplace in terms of previously conceived barriers such as local languages.

Therefore, two main differences are found. Firstly, there seems to be a possibility that hard service new ventures, focused on digital services, are now able to be completely independent from any physical distribution needs. As such, it could be so that firms will not need to consider local presence in the target countries at any point, since the service can be fully deployed and provided from the home country, through a virtual platform, the

marketplace. Moreover, the second observation is that behavior in new service firms may have changed and for them, to design an internationalization strategy may have become a secondary issue. The goal now may be to become successful in the marketplace.

To sum it up, critical behaviors may have been identified and a proposed framework for internationalization modes is suggested. The following Figure 4 presents the framework established by Grönroos (1999) with an additional internationalization mode, named “Virtual Marketplaces”:

Proposed Framework of Internationalization Modes for Services

Mode	<i>Corresponding Traditional Internationalization</i>	Key Characteristic
Direct Export	<i>non - equity modes</i>	Domestic production of the good or service and shipment abroad.
Indirect Export		Joint export effort by two or more firms whose products and/or services complement each other
Direct Entry	<i>equity modes (FDI)</i>	Total or partial ownership (e.g. wholly owned subsidiaries, joint ventures)
Indirect Entry		Local operation without ownership (e.g. Licensing, franchising)
Electronic Marketing	-	Extension of a service's accessibility through advanced technology (e.g. Internet, cable TV)
Virtual Marketplaces	-	Complete use of a virtual platform to produce, offer, deliver and consume the service

Figure 4. Proposed Framework by Grönroos (1999)

Within this proposed framework, it is necessary to identify, first of all, if there is in fact a new internationalization mode. Furthermore, there is a need to determine if firms of the *app* economy actually rely on such an internationalization mode for its expansion. Furthermore, it is of interest to identify if these companies consciously internationalize through virtual platforms, in order to define if these marketplaces are a conceived internationalization mode or just a tool given the existing technologies. As such, the interest is placed into understanding the perception of the firms, specifically new ventures, which are immersed within the *app* economy.

Given that existing literature is not enough to answer these questions; there is a need to proceed with a research proposal that will serve as source to find the requested answers. Therefore, the next section presents detailed information of the research method to be employed in this quest.

3. Methodology

The world has many different perspectives where human behavior plays a crucial role and is very difficult to quantify, while qualitative research allows comprehensive understanding of the particular phenomenon being studied. This section aims to highlight the importance of qualitative studies and justify its particular value in the context of this study.

3.1 Research Approach and Method

“It is known that qualitative researchers value context sensitivity, that is, understanding a phenomena in all its complexity and within a particular situation and environment” (Maykut and Morehouse, 1994; p. 13). In light of the theoretical frame of reference previously discussed, this study is interested in understanding how has the current business environment affected the behavior of new ventures in such particular setting. In addition to determining if whether new ventures are indeed behaving in different manners when it comes to the design of internationalization strategies, it is of outmost importance to identify how have perceptions changed given the circumstances and the key factors that are causing it. Such findings shall allow the author of this study to draw on valuable conclusions.

Moreover, given that the particular framework presented showed that little is known in relation to the *app*'s economy recent incursion, qualitative research appears to be as the appropriate research method since it provides the possibility for important meanings to be discovered (Maykut and Morehouse, 1994). Even more, Perrini et al. (2010) clearly state that “qualitative research is suitable when little is known about the phenomenon” (Perrini et al., 2010; p. 518). In this sense, the possibility for this method to allow initiating research with a broader focus on the subject to then narrow it down towards what needs to be known (Lincoln and Guba, 1985) is a very useful approach to research in this particular study given that detailed conditions of the *app* economy are not known yet. These conditions are what the study aims to discover and therefore the continuous process of data collection will be the one guiding the researcher towards very specific details hic will set the reasons for the posterior behavior presented by new ventures.

Furthermore, additional characteristics are presented by Maykut and Morehouse (1995) which also assist in defining the value of qualitative research and serve as key indicators to conclude that this method is an accurate choice in this specific research purpose. Firstly,

qualitative research allows an appropriate data collection without leaving aside the factor of the context; and this needs to be considered given that the new ventures in stake are clearly part of a specific setting, a specific environment, such as the *app* economy, and are gathered in specific locations or hubs –as it will be presented later-, situations that altogether cannot be dismissed by this study. Secondly, this method emphasizes on the human being as an instrument in the research process. Instead of just being *pivotal*, as explained by the authors, the researcher is now able to actively become the collector and interpreter of data, which usually comes from other individuals in the form of e.g. interviews. As such, this method allows the researcher to understand emotions, reactions and any other particular but crucial towards any conclusion, which could be unseen using other methods and would compromise the accuracy of this study's results. Thirdly, this method allows the subject being analyzed to define what is important or not. In this matter, this research has established an expected scenario that needs to be proven, but has not defined what are the important factors behind the existence of a new *app* economy; as a result, these factors are expected to be determined by the subjects themselves and qualitative research allows this possibility. Lastly, the authors explain that this method achieves optimal results when these are effectively presented in narrative form –also referred as a case study- allowing the researcher to provide sufficient information of the data collected to ensure understanding of the research outcomes. Once again, given the nature of the information expected to be gathered in this study, thorough explanations and discussions will have to be taken in order to determine the effects of the *app* economy on the internationalization of new ventures. It is possible to know already that collected data will not be “black and white”, it will reflect opinions and behaviors.

Conclusively, the characteristics of qualitative research ensure that it is a suitable method to implement in order to achieve optimal results in this study. Because of this, the upcoming part shall present the specific research method selected and argue for its benefits.

3.2 Research Method

Qualitative research studies require qualitative methods of data collection, it involves words and actions and the researcher aims to grasp language and behaviors. Furthermore, data collection has been commonly described by three useful ways, namely observations, collection of documents and in-depth interviews (Maykut and Morehouse, 1985).

On the one side, the collection of information from documents has partially served this study to define an appropriate background initiating its discussion, but it has not been enough to achieve any concrete conclusion. On the other side, it seems difficult to grasp specific details from inside ventures just by observation given that there is a clear need to encounter more specific details; especially considering that this study needs to understand the setting in which new ventures are basing decisions to internationalize, requiring a deep analysis with data coming from the core of new ventures, not from other parties' interpretations or estimations.

Moreover, an interview is clearly and shrewdly described as “a conversation with a purpose” (Maykut and Morehouse, 1985; p. 79) and it allows to researcher to effectively understand the interviewees' feelings and reactions. Given the previously stated aim of this study, the entrepreneurs running new ventures shall be the most direct source to retrieve accurate data. Because of this, it appears feasible to acquire relevant information from purposeful conversations engaged with entrepreneurs –the interviewees- since it has been shown that more valuable data can be obtained this way than from insufficient existing documentation or from unfruitful observations that may not allow to identify underlying factors.

In spite of this, it is necessary to mention that existing information found, specifically from documentation initially describing the setting in which the *app* economy is described, shall not be overlooked. On the contrary, this study has based its background on such information and it shall be combined with the interviews to be held. However, the existing documentation's insufficiency –mainly obtained from newspapers and online magazines- requires this study to rely itself on the interviews as a main source for understanding a venture's decisions and perspectives. As a result, the author of this study will make sure to execute the appropriate triangulation between collected data from interviews together with

the acquired documentation in order to develop the best possible and comprehensive analysis a posteriori.

Conclusively, it seems feasible that interviews may serve as the most suitable data collection method for this study since it could help the researcher in overcoming the clear lack of information available through common channels and sources; while at the same time it shall help to ensure that the data collected comes from first-hand sources, denying the possibility of acquiring biased information or incorrect interpretations by third parties.

3.3 Collection of Empirical Data

Having determined that qualitative research –and more specifically in-depth interviews- is a valid choice and the most appropriate approach to be used in this study, this section evaluates key characteristics that should be considered in order to ensure an effective data collection and then defines its structure for this specific purpose.

To ensure the effectiveness of data collection is an equally critical issue that requires discussion. In this sense, the author of this study acknowledges that interviews should be previously prepared and properly structured in order to make sure that all the expected information is retrieved on the field, given the risk of easily deviating from the main topic on a conversation. This deviation may particularly occur if questions posed allow the interviewee to freely express him- or herself. Maykut and Morehouse (1985) suggest interviewers to pose open ended questions to invite the interviewee to participate in the conversation and Bogdan and Biklen (1982) clearly state that these kind questions should be employed to allow respondents “to answer from their own frame of reference rather than being confined by the structure of pre-arranged questions” in the sense of posing open questions so that “Informants express their thoughts more freely” (Bogdan and Biklen, 1982; p.1). These asseverations shall be considered in this study since it would be risky for the researcher to employ questions which may directly result with *yes* or *no* answers, leaving out any possibility to perceive true opinions from the interviewees.

In the specific research scenario, this author’s challenge is to get entrepreneurs to describe their own knowledge and experience within the *app* economy as well as their ventures’ behavior, in order to ensure that only real behaviors are being recorded, not just fictional or utopic ones. This type of data required falls into one of Patton’s (1990) six categories of questions that can be posed in an interview, the category of “experience/behavior questions”. The author explains that this precise type of information that is needed should be obtained by starting the interview with questions that motivate the interviewee to describe the current activities he or she is currently performing, which will then lead to a more opened up discussion of the initially mentioned topics.

Last but not least, it is important to state that the author of this research study acknowledges Patton’s (1990) explanations of the importance of a good interviewer by being truly engaged in the topic of analysis, given that only genuine interest will result in an active

conversation and exchange of ideas motivating the interviewee to continue the conversation, thus collecting the most accurate and valuable data.

Conclusively, these guidelines result in the design of an interview structure, to define what topics are to be covered in the interview. The importance of this structure is critical given that open ended questions shall allow interviewees to openly express opinions which can result in difficulties to follow a rigid questionnaire or interview flow; therefore, the main task of the researcher shall be to focus on making sure that all topics are covered instead of trying to follow a rigid questionnaire. However, a broad structure with four main topics has been developed that aims to identify and understand following aspects of the interviewee:

1. *Knowledge regarding the app economy and the uniqueness of its digital marketplaces*
2. *Own experience and decisions made/planned in his/her own new venture*
3. *Perception towards traditional internationalization modes and its applicability*
4. *Perception towards the feasibility of executing an internationalization with the exclusive use of the marketplace*

This structure aims to cover the most important issues raised within the theoretical frame of reference and complies with the research objectives initially set, wishing to establish if there are indeed signs of a new internationalization mode for new ventures within the *app* economy. Findings are expected to result from the acquired data based on the market's knowledge acquired and own practices performed by the interviewees. Appendix 1 shows the complete questionnaire that has been developed towards the interviews. The author of this study has planned to create open ended questions that give as much liberty as possible to the respondent; in this sense, the questionnaire is considered to be a guideline and it is flexible depending on the interviewee's responses. As previously discussed, the topics are and can be broad but a strong focus shall be given to narrowing down into details according to the respondents answers as well as to making sure all topics are covered.

In addition, it is also important to mention that the questionnaire has been designed considering the suggested use of *probe questions* throughout its development. A probe is “an interview tool to go deeper into the interview responses” (Patton, 1990; p, 238). In this respect, Patton (1990) recommends using probes to ensure that the collected data is accurately recorded and that true meanings are transmitted, and such questions can be found in the questionnaire. However, given that the questions are quite open-ended the author of this study recognizes that a great importance is placed into conducting the interview and

being alert to include probes throughout the interview conversation. Moreover, as it can be seen by the reader, the initial sections of the interview include detail-oriented and elaboration probes, which according to Patton (1990) aim to encourage the respondent to freely express on specific subjects; and the final section contains clarification probes that explicitly will encourage the interviewee to confirm previous statements.

Last but not least, the flexibility of this interview questionnaire results in the need of waiting for the data to be collected before establishing a data evaluation framework. Of course, this initial structure shall be followed but to determine the important factors and key issues of this study shall be established depending on the interviewees' responses. Therefore, a very important weight is placed into the researcher in tabulating and interpreting the findings. The author of this study recognizes this challenge and looks forward to perform accordingly when the described moment arrives.

3.4 Unit of Analysis

Having completed a discussion of which is the most suitable research method as well as its specific structure, the following lines aim to develop a solid reasoning towards the subjects of analysis to be used in the study, starting with the required characteristics and ending with the practical subjects chosen.

Firstly, given the already established research question *How to new ventures internationalize within the current app economy?*, this study aims to evaluate the behavior posed by new ventures, turning them into the subject of analysis. In addition, there is no need to focus on acquiring large numbers of new ventures since one of the most highlighted characteristics of qualitative research explains that it strongly focuses on smaller samples rather than on large random ones. In this sense, the challenge of the researcher is to ensure that the samples selected are able to contribute to the purpose of the study.

Based on this, the interest of this study is first of all to determine whether one or more –and in such case, how many- cases are needed to be studied in order to form a solid conclusion. In this matter, Lincoln and Guba (1985) describe the concept of *purposeful sampling*, explaining that the size of the sample is determined by informational considerations. In brief, the authors explain that there is no need to include more cases if the data collected is not bringing new information into the research work.

Furthermore, another consideration to have in mind is the concept of *maximum variation*, also defined by Lincoln and Guba (1985). It is on the best interest of this study to base its conclusions having analyzed cases with different backgrounds, representing different settings within the same phenomenon, in order to ensure as much as possible the generalization of the implications derived from the findings and, therefore, its applicability in broader scopes. In the eyes of this research study, this domain is of particular importance given that the topic to be studied is fairly young and little information exists. As a result, it is already possible to define that more than one case has to be evaluated to be able to achieve a maximum variation situation.

A final consideration needed before choosing appropriate sample subjects for evaluation relates to the specific characteristics required based on the previously discussed frame of reference. In brief, it was presented that early stage new ventures are of particular interest, given that the effects on internationalization strategies of digital marketplaces may be mostly

recognizable in such type of ventures. In addition, early stage new ventures also imply that there may be less biased responses given that planning and strategy design are still a core issue of the entrepreneurs, while already successful and established ventures may respond to questions based on their recent experience, not on what was originally planned. Therefore, early stage new ventures shall most likely explain this study's research problem; however, a key challenge is to find such ventures with the highest possible probability of success.

Bringing together all expectations recently described, this research will provide strong enough results if three conditions are accomplished: (1) maximum variation is achieved, while (2) no new information is further recorded –reaching a purposeful sampling level, and (3) new ventures with high success probabilities are appropriately identified and become subjects of study. Therefore, the upcoming section shall identify sample cases that fulfill these conditions in order to ensure this study's research value.

3.5 Sampling Decisions

Three core conditions to determine representative sample new ventures have been established. Given the current location of the author of this study, Finland, it is possible to find samples that comply with these conditions in close-by vicinities, as it shall be presented next.

In order to ease the reader's understanding, the chosen samples are directly presented and arguments are provided to justify each new venture's probability of success, one of the required conditions. In addition, the reader is asked to bear in mind the maximum variation requirement; since each venture holds a different background, this condition is being simultaneously met throughout all descriptions.

3.5.1 Tellyo

As a necessary background description, the Aalto Entrepreneurship Society has actively looked to encourage entrepreneurial new ventures in the region and has become a hub for highly successful new ventures. Through one of its star programs, the Startup Sauna, the most promising teams and business ideas are carefully selected by experienced coaches to form solid ventures able to cope and compete in today's business world. As its own description states, "Startup Sauna, founded in 2010, open sources seed acceleration to the most promising startups from Northern Europe, Baltics and Russia"; and furthermore, it has helped to raise €11.9 million in early stage funding for their selected ventures. (Startup Sauna, 2012). As a matter of fact, Startup Sauna funds its activities through Aalto Center of Entrepreneurship and Tekes, The Finnish Funding Agency for Technology and Innovation. Conclusively, a venture that has been part of this program can be catalogued with a high possibility of success.

As a result, it is possible to conclude that a new venture that has been part of the Startup Sauna program is an appropriate sample to be analyzed. This is the case of Tellyo Oy. As described by the company itself, "Tellyo is an interactive platform parallel to TV. In practice, it is a smartphone application that turns the phone into a personal remote controller renewing completely the way how people choose channels. Tellyo encourages spontaneous social interaction between viewers within TV context and complements TV advertising with

previously internet only selling points such as interactive content, targeting based on personal data and precise effectiveness measurement (Tellyo, 2012).

Tellyo Oy was legally established in January 2012 but has been run in a full-time basis since November 2011. During fall 2011 the venture was selected to be part of the prestigious Startup Sauna program held at the Aalto Venture Garage, in Finland. As already analyzed under section 3 of this study –the Research Method-, this program selects the best prospect ideas and teams to coach, assist them into entering to the business world as strong as possible, as well as providing for initial funding that will serve to overcome initial stages of the idea construct.

Having already launched an Alpha stage for testing the *app* in Finland and Poland, Tellyo is getting ready to exponentially expand abroad. The venture has presented a highly successful track record in this short period of time and its growth expectations are equally exponential. As stated by Mr. Kimmo Koivisto himself, Co-Founder and CEO of Tellyo, the venture is not only developing an *app*, it is changing the how people watch TV and is using a mobile *app* as an enabler to achieve it.

This venture is nowadays a resident firm at the Aalto Venture Garage. Its founders have chosen to locate Tellyo there given that the atmosphere allows a positive interaction within fellow entrepreneurs and persons related to the business environment, enabling valuable feedback, support and encouragement provided between all founders to one another and, at the same time, are strongly needed during the initial stages of any new venture. Furthermore, Mr. Koivisto himself expressed that being part of the Startup Sauna program has also allowed Tellyo to develop a highly scalable business models, which is commonly aimed by its coaches and taught to all ventures part of this select group.

Mr. Koivisto has as well a record of entrepreneurial behavior before Tellyo's establishment. Together with his wife, the firm Lifestyle Architecture and Design was created and successfully practiced the art of identifying an opportunity and exploiting it. Besides being an architecture and design firm, as its name states it, Lifestyle successfully serves a niche of architecture candidates in their learning requirements. Last but not least, Tellyo is built due to a successful combination of human talent, effective team work and a solid business idea, basic reasons that led the Startup Sauna selection board to anticipate its great future.

3.5.2 Hooxter

When describing specific characteristics of serial entrepreneurs, Wright et al. (1997) have focused on a dynamic nature of entrepreneurship in which individuals repetitively engage in new venture creation processes. Acknowledging the existence of serial entrepreneurs, numerous studies have found a positive relationship between these and successful new ventures, in particular showing that a past record of successful entrepreneurs are more likely to succeed than first time entrepreneurs (Gompers, et al. 2006). Given this, it is feasible to introduce the second sampling selection in this particular study, the new venture named Hooxter.

Hooxter describes itself as being “the missing piece for people looking for new dating experiences. It is a revolutionary way to discover cities and meet new people in Your immediate vicinity. When arriving to a new city, start up Hooxter and there simply pops up a map with the hottest spots in town! You can zoom and pan over the map and find the route to places that You would never have been able to find without Hooxter” (Hooxter, 2012).

The case of Hooxter is an example of a new venture formed by a serial entrepreneur, a visionary individual able to identify and understand an opportunity for high growth businesses, take the challenge and achieve results. Behind it all is Henri Hovi, founder and CEO of Hooxter. Mr. Hovi has been a true entrepreneur since he turned 15 years old, after establishing a bicycle carrier company named Bike Express, which was sold two years later and is still running in Helsinki after more than twenty years of activity. In later years, the company Pati Dure Oy was created to assist customers in telecommunications, web based software development and global sales support; the company assists customers worldwide and is strongly running in present days. Together with these experiences in fully owned firms, Mr. Hovi has an extensive track of managing already established international firms, mainly in the telecommunications sector, constantly feeling a need to accept new challenges and behave entrepreneurially too, resulting even in engaging into equity relationships with such companies to position them in higher levels.

Mr. Hovi describes himself as an entrepreneur and has felt like one even in times of working for another company. In this respect, it has been a parallel need for him to keep developing ideas further; given his extensive expertise in venture creation, technical skill and

knowledge of the market surrounding the current business world, Mr. Hovi has seen a solid opportunity for Hooxter and has not hesitated to achieve his goals. The following section presents in deep Mr. Hovi's insights, related to this study's purpose of finding clear patterns in internationalization characteristics of new ventures within an *app* economy.

3.5.3 Haircult

Last but not least, another factor to predict new venture success can be related to the creation of technological hubs, which are of particular importance in the current *app* economy. Several authors have identified that concentration of hubs result in the development of successful business ideas since spillovers are always present and the geographical region itself grows altogether as a hub. Given this, the final sample selected is a clear representative of a new venture formed within a geographical hub in the technological sector, which has developed a business idea based on the founders' high knowledge in technological matters and expertise in business development. Haircult is a new venture formed by a Ph. D. student of technology at Aalto University's School of Science and Technology, with additional expertise in sales and marketing; joint together with a business visionary, a graphic and web designer with several awards to his name; and a specialist in computational science and building of mathematical models (Haircult, 2012).

In this scenario, Haircult describes itself as “a mobile application designed to help you find the best hairstyle, the right stylist and to record your hair through time. People use magazines and other media to inspire them to find the right hairstyle. Friends and family recommend great hair salons that may fit your personality. Usually people store a database of pictures of their best and worst hairstyles in a photoalbum. With Haircult all these aspects of hair and style are put into a single personal mobile application so it is always with you” (Haircult, 2012).

This new venture has been keenly developed to provide a service that combines a highly demanded social interaction activity together with trending hairstyle figures and effective day to day needs such as finding recommended hair salons. This new venture, born in 2011, results from the formation of a solid team able to bring an idea into reality. Four co-founders were brought together from different academic and expertise backgrounds, including sales, marketing, engineering, computational science and web and graphic design.

Altogether, this team fulfills one of the critical predictors of new venture success, by having first established a strong team that is able to cope with the challenging and demanding scenarios that the process of new venture creation generates. Moreover, Haircult is also resident at Aalto Venture Garage, because of finding in it a fulfilling workplace to develop a startup further, as also presented in the aforementioned section.

So far, it has been argued that the three chosen samples hold high probabilities of success and it has been simultaneously shown that maximum variation is also met given the different foundations of each of these ventures.

Moreover, the purposeful sampling condition remains to be satisfied. In this respect and given the nature of this research, it is not possible to determine beforehand how many samples shall be required in order to fulfill this requirement. However, to ensure a proper understanding of the reader, it is necessary to state that having performed the respective interviews, the data collected from the aforementioned samples had very small variation. In fact, no new information was found after completing all three initial interviews –as it shall be described in the Empirical Findings section. Therefore, the author of this study is able to corroborate that the condition of purposeful sampling has also been successfully fulfilled.

Conclusively, the sample selection used to support this study shall allow achieving an optimal level of understanding and at the same time it shall become a fruitful source for determining generalized findings in the subject of new venture internationalization within the *app* economy. Nonetheless, it is necessary to evaluate the possible limitations that this study bears. Therefore, these shall be described next, before continuing towards the appropriate empirical findings.

4. Limitations of the Study

This section aims to evaluate the limitations that this research study has in light of its design. As it is known, all research studies present limitations and it is of great importance for a researcher to identify these to ensure the best applicability of the study's results.

Firstly, the core characteristic itself of an early stage new venture becomes its own limitation. This author has followed the suggestions of Lincoln and Guba (1985) in terms of establishing *provisions of trustworthiness* that ensure an appropriate selection of highly valued samples. In this respect, it has been a requirement for this study to choose early stage new ventures in order to evaluate its behavior; and measures were taken in order to ensure that their probabilities of success were high. However, there is still a possibility for these ventures that in the future they would behave differently than what they have stated –if the responses were based on planned strategies-, or that the success of the venture itself is not achieved as expected –if responses reflected strategies already in execution-. Therefore, this study is limited to its sample choices and there is a need to come back and re-evaluate the status of each new venture in the future, to ensure that they have been successful in their activities and the strategies implemented for it.

In addition, not all opinions and behaviors may have been collected. This study has made sure to reach a situation of purposeful sampling, in which no new information was being received from the sample selections. However, there is still a possibility that different or additional behaviors or opinions occur but have not been identified through the selected samples and this study acknowledges this limitation.

Furthermore, it is important to recognize that a possibility exists that not all the information received may have been accurate. As it can be seen by the reader, the structure of this study's questionnaire has carefully designed so that *probe questions* were placed throughout the interview, as suggested by Patton (1990), instigating the interviewee to go deeper in the subjects. In this sense, the author of this study was careful during the interview to persist and come back to topics already discussed by the respondents taking several angles, in order to ensure that their answers were a result of clear opinions reflecting thorough understanding, instead of sudden impulses. However, the risk of falling into such impulses is always present.

On the same topic of risking collection of inaccurate information, it is also necessary to state that this study's author has thoughtfully aimed to establish a valuable connection with the interviewees in order to ensure a positive environment in which the data collection was performed. Moreover, the interviews were conducted in places selected by the respondents themselves, in order to provide them a feeling of security by being in a safe environment already known by them, by being in their own domains. However, it has to be stated that there were no previous ties between the author of this study and any of the interviewees, prior to contacting them for this specific research purposes. Therefore, it is possible that the collected data could have been less accurate if this researcher failed to appropriately encourage the interviewees to open up and freely discuss the topics defined on the agenda.

5. Empirical Findings

Having established a clear research methodology, developed an appropriate data collection structure and its respective agenda, it is now possible for the author of this study to go out into the field and meet the selected samples. This section provides the reader the transcriptions of each and every one of the interviews held, and serves as a base for a discussion to be generated afterwards.

5.1 Interview with Kimmo Koivisto, CEO of Tellyo

In relation to the first section of the interview, Mr. Koivisto was questioned about what it means for firms to nowadays coexist with marketplaces. He sees a big difference with previously known methods of marketing such as the internet itself, stating that marketplaces are good distribution channels and people use marketplaces and *apps* much more than any other comparable virtual platform, as for example navigation bookmarks. A key improvement is presented, since it is now possible to send notifications to users through an *app*, something that was not possible with any website, allowing the existence of new and effective communication between user and provider. Finally, Mr. Koivisto agrees on the fact that it is easier to find customers given the existence of a marketplace, they are there already.

When discussing the next set of questions, related to specific internationalization strategies of the venture, Mr. Koivisto explains that his venture has designed some but it doesn't mean it is a requirement for all firms. When asked about any specific internationalization strategies, it was mentioned that it is planned to advertise in foreign markets and to engage in local partnerships. Mr. Koivisto explains that there is no need for ventures to establish any physical offices in several countries abroad, but they have opened one in Poland where a developing team focuses on the *app* itself. However, given the nature of Tellyo's *app*, the venture is forced to consolidate counterparts in every country they plan to be present; more specifically, there is a need to engage into agreements with local TV networks so that the service is offered to local customers by them. In this sense, a mutual benefit is offered to create and encourage an attractive relationship. Moreover, the nature of Tellyo's *app* implies also a need of customizing it for local markets, since TV listings are local. In any case, the company constantly seeks to reduce the need of customization as much

as possible, and it will be common to find such goals on all ventures that require a certain degree of localization.

Given this, when asked if all firms part of the *app* economy need to engage into local partnerships to become international, Mr. Koivisto doesn't believe it is like that. According to his perspective, it depends exclusively on the characteristics of the *app*, where it can be global with no need to be customized in each country or region. However, Mr. Koivisto believes that an important part in internationalization is that partnerships should be built since it will noticeably increase the speed of scalability of the venture. After this statement, the following question aimed to clarify the possibility for a venture to be international by just being established in one country, and Mr. Koivisto clarified that it is possible as long as the *app* itself does not require localization, meaning either local content or marketing, then it can easily be done. If that is the case, a venture's service is highly scalable and can be international by just being available in a marketplace, and can even accomplish it faster. As a matter of fact, a firm that is keen could find the ideal location to establish its company depending on the nature of the *app*; and establish it there to gain as much visibility as possible, reducing the need of developing additional internationalization strategies to reach the target market. As an example, a venture developing a service in the fashion industry should plan to establish itself in New York or Milan, big hubs of fashion, to do market iterations from local customers that can then be expanded abroad. Finalizing this section, it was explained that if there is a question regarding language barriers, such an issue is the easy part since it just requires hiring translators, but it is still needed if the aim is to become global.

Having arrived to the last section of the interview, the purpose was to evaluate how it looks for new ventures the possibility of being international since day one. Mr. Koivisto expressed that the plan for Tellyo has been to make it international since the idea was born; in fact, the venture's goal is to make it global. Given that the marginal cost of having an additional user is close to zero, there are no limits for scaling up a business. He explains that this is embedded in all digital businesses where nothing physical is present, therefore it is a possible for a venture to be international since its inception. Last but not least, Mr. Koivisto affirms it is possible to be international virtually anywhere that the venture decides to make its *app* available, in any country, unless there is a blockage of some kind forced by that specific country.

5.2 Interview with Henri Hovi, CEO of Hooxter

As the founder of Hooxter, Mr. Hovi acknowledges the importance of developing ventures with an international perspective, especially considering the advantages now provided by the *app* industry. On the first section of the interview, Mr. Hovi was questioned regarding the differences that may be identified given the existence of virtual marketplaces for *apps*. He believes the biggest benefit comes as part of the easiness of delivering a service to customers. There is no need to customize and ship it to every customer; in contrast, this is covered when *app* versions are developed for the main device manufacturers. Since the back end –the core itself- of the software is the same, it results in high possibilities for scaled production and deliveries to customers virtually anywhere. Following Mr. Hovi's experience in previous ways of delivering services to mobile phone users worldwide, there was always a need of developing connections with local telecom operators in every single country, to establish a contact management system and to integrate it all to the operations, resulting in a very complex and expensive process. In contrast, "Now it's very simple, you just upload it [the *app*] and it is available in every country that I pick from the list", he describes.

When asked about any visible challenges, Mr. Hovi explains that marketplaces themselves have become a new player in the industry and they expect money out of it. Even despite there is no direct harm in this, problems may arise since the expected amount may be too high. As explained, it is true that these marketplaces are a distribution channel, but they do not market the *apps* in it, they are just listed in there. This situation may compromise the feasibility of an appropriate revenue model for any venture in the business.

Moving on to the following part of the questionnaire, Mr. Hovi believes his venture aims to be international and has plans for this to happen since its inception. Hooxter is a mobile global *app* that provides location information for users and the information is in part fed by users themselves. He explains his service is indeed international since the *app* can be used anywhere in the world. As a matter of fact, Hooxter is not exclusively marketed to Finnish users but also to foreign citizens all over the world.

Given this, Mr. Hovi sustains that there is a clear feasibility of being international and his firm has planned to do so since day one. When asked if there have been particular internationalization strategies developed to reach the international market, Mr. Hovi explains that it is possible to distribute the service worldwide through the marketplaces and users

download it from there. However, he points out that a venture may not be successful if it relies just on that given that there are millions of more *app* available in marketplaces at the same time. Because of this –and using existing networks- he has planned to partner up with local operators, establish a shared revenue model and let them take charge of the marketing and sales of the *app*. In a nutshell, these operators will be able to promote and gain brand visibility for Hooxter’s service together with their own, allowing a rapidly increasing awareness of the *app* and encouraging its download; and on the meanwhile, Hooxter is able to focus on developing the technology, on the *app*’s delivery and on its appropriate functionality and applicability.

In addition, a doubt was raised if there is a need to customize the *app* for every country’s characteristics. In this respect, Mr. Hovi explained there is no need to do so, excepting some minor adjustments to the back end that each local operator could require and to the language barriers, which represent no major complications and can be easily done. In the end, customers will still be using the same global service after all.

Moving on the final section of the questionnaire, Mr. Hovi was questioned regarding the feasibility he may see of the existence of international new ventures without any presence abroad at the same time, using only the available marketplaces. First of all, he believes that there is absolutely no need to have a physical presence abroad and it has been done so with his previous ventures. It is possible to have only key partners in every region and to keep an effective communication with each other, reducing the need of establishing local offices. Moreover, Mr. Hovi believes it is also feasible for a venture to run a global business without having any contact whatsoever outside of the local borders. Given the existing design of the *app* economy, firms can surely develop its service locally and distribute through virtual channels such as the existing marketplaces, where customers are already present. However, two main risks are pointed out: first, the degree of scalability may be compromised if omitting to execute local marketing efforts, which would have helped on increasing the brand’s visibility among so many *apps* available in the marketplace; and second, each country has its own cultures and to have someone in that area can help in solving issues that could be very difficult otherwise, while at the same time allowing to reach the target markets effectively with its local knowledge. As a result, Mr. Hovi does not believe it is advisable to engage into an international business, even if possible, without establishing some key partnerships that would increase success possibilities and the venture’s scalability.

Approaching to the concluding comments of the interview, Mr. Hovi was asked to evaluate if a venture part of the *app* economy is either successful and international at the same time or none of both at all; he fully agreed. First of all, it is so that virtual marketplaces are a much lesser expensive method for international expansion than any other and it is simpler too; although some firms, just as Hooxter, may forcedly need to engage into local agreements so that the *app* ensures it success. Furthermore, it is possible to test a market locally and define if the service is good or not, but with the immediate result of being international too; if not attractive locally then there may be no need to keep being entrepreneurial and unsuccessfully forcing the service to be used abroad. In addition, Mr. Hovi was specifically questioned if of the possibility for a new venture to be international since its inception, since day one, and he fully agreed it is possible.

5.3 Interview with Christian Code, Co-Founder of Haircult

During the first section of the interview, Mr. Code provided insight regarding how a marketplace can be understood. He stated that a marketplace is a global entity, it is international but it depends on the *app* itself to be used worldwide. Clarifying this point, he explained the case of the popular *app* Angry Birds, which is globally attractive but still, not so much played in China, given that there seems to be a stronger preference for utility *apps* more than for games. These results in Mr. Code's overall perspective of seeing a marketplace as global but with some limitations given by characteristics that demand may have in specific places.

However, before entering into details it was possible to discuss deeper about what benefits do marketplaces bring. In this sense, and referring to the recently published Steve Jobs' Biography book, marketplaces can be understood as gated communities [residential housing with a wall or fence closed perimeter, most common in the Americas and Asia], they are a concentrated medium where you can know who is inside and, as a result, it is easier for firms to aim for their customers since marketplaces are a clear channel to reach them. In addition, if internet is a "pretty big mess" with people everywhere, marketplaces are more effective since it is about persons willing to share data, persons with similar interests. Finally, Mr. Code briefly mentions that still, these marketplaces require different devices to be accessed and that users have different tastes.

Moving on to the next section, Mr. Code was questioned if it has been planned since the beginning that his venture would become international and if the aim was to specifically enter one or several marketplaces. He agreed, mentioning that since they wanted to be in different platforms since their start. Given that Finland is such a small market, half the size of New York, so there is a need to be international. Furthermore, given that the access to Venture Capitalists with bigger investment amounts is quite low for Finnish firms, which even makes it a good option to use virtual marketplaces as distribution channels.

When asked if there have been any other strategies designed for being international besides entering a marketplace, Mr. Code mentioned that it is not the case for Haircult. He understands that there is a need to understand local customs in other countries to ensure the applicability of their *app*; however, that can be solved with talking to customers abroad. Nowadays, the strategy is to talk to local –Finnish– customers and extrapolate results to apply

it globally. In any case, Mr. Code believes that there is a need to understand who the customer is before being able to sell anything. The goal of a new venture is to solve a problem, not to make money, and it should be applied globally and apply a revenue model together with it. In addition, it was mentioned that local offices may be eventually established abroad in later stages, in particular for sales and marketing. To finalize his answer, Mr. Code states the difficulty of the question, since on the one side it is presupposed for a venture to be global but at the same time it should understand local markets. However, this is a globalized world and technology companies should understand global problems and develop global solutions.

Furthermore, there was a need to ask if it is possible to link or completely unlink the physical from the virtual world when going international. In this respect, Mr. Code established that there is just a need to take people to foreign markets or to go there by oneself, but there is no need to have a permanent presence there. When questioned about the possibility of being an international venture by only being based in Finland, Mr. Code confirmed it is possible to be based anywhere and that the need is to be able to understand others. In this virtual world the thing is to share ideas, as it was already mentioned, and it is possible to share them from Finland, he states. Once again, Mr. Code mentioned his personal preference of going abroad to understand other cultures, but without a need of establishing offices there.

5.4 Analysis of Internationalization of Hard Service New Ventures

This section aims to appropriately assess the data collected during the case studies, which serves as a preparation for the discussion that shall later follow under Section Six of this study. In concrete, responses received by the interviewees have been merged accordingly under the specific categories initially set on the research proposal, in order to facilitate the reader's comprehension. In addition, a key learning shall be highlighted during each category in order to facilitate the posterior discussion of findings. Last but not least, Table 1 is presented containing a summary of these highlights.

5.4.1 The Virtual Marketplace as an Internationalization Mode

The first group of interview questions aimed to clarify the importance –or not- of a virtual marketplace as a possible mode for internationalization. In this respect, all interviewees fully agreed that marketplaces currently allow a more beneficial way of internationalization for service firms. Firstly, Hooxter's Co-Founder Henri Hovi highlighted the importance of an easier and more effective way for ventures to communicate with customers in contrast to past technologies such as SMS messaging systems. Currently, marketplaces allow direct delivery of real value to customers which results in trust building possibilities through effective communication. In addition, Tellyo's CEO Kimmo Koivisto described both a faster communication channel through marketplaces, just as Mr. Hovi, but also mentioned the importance of marketplaces since they are an excellent distribution channel and that the marginal costs for delivering the service to a new consumer are close to zero. Moreover, Haircult's Co-Founder Christian Code was keen to include the analogy of seeing marketplaces as *gated communities*, where customers are there, concentrated. Altogether, the response was unanimous in favor of marketplaces as a true internationalization mode, providing more benefits for new ventures than ever before. The key finding identified up to this point is that marketplaces serve firms with a twofold benefit: they provide a clearly identifiable target market concentrated in a virtual *gated community* with effective communication and interaction; and, at the same time, it is a fast, effective and cost-efficient distribution channel that serves as a delivery method.

5.4.2 Internationalization within the App Economy

The data collected showed that new ventures within the *app* economy plan to be international and refer to marketplaces as a means to internationalization. Initially, it was the intention to evaluate if new ventures in this industry aim international or not when developing its strategies; however, responses went beyond this expectation. Not only did all entrepreneurs affirmed that their ventures will be international and it has to be planed so since the beginning, they all believed that new ventures in the *app* economy will most likely have the international market as natural part of their business idea. Given that the issue of geographical boundaries is eliminated thanks to the existence of a marketplace, it was a common belief of the interviewees that most new ventures will try to develop services –*apps*-attractive to a wider audience besides the local community. It seems to be a generalized perception that such local regions are simply too small in comparison to the immensely larger potential market available –at almost no extra cost if through a marketplace- and the result is that new ventures in the *app* economy will most likely look to be international as a starting point, since the idea’s inception.

A much related matter that goes hand to hand but needs to be stated is the fact that all new ventures inquired planned to be international through the launch of their services on one or more marketplaces. All interviewees affirmed that their ventures rely on marketplaces to reach and deliver to international customers, that they rely on it to be international. This is indeed something that has not been described before and requires attention from scholars. Although conclusions and implications will be drawn later in this study, it is necessary so far to precise that marketplaces can be definitely understood as an independent internationalization mode allowing firms to identify, reach and deliver to customers with no need of another method whatsoever.

The final question in this section allowed confirming that new ventures consciously expect to be international. It was a possibility that the situation would have been contrary to this and conclusions would have taken a different path. When asked if the ultimate goal of their venture was to enter a marketplace, all interviewees addressed the issue similarly and commented that the goal is to be international, or global. Given this, it is possible to understand that new ventures in the *app* economy plan to establish their services actively thinking to become international, consciously thinking of it. Therefore, this contributes to

build a stronger picture in which marketplaces are a solid internationalization mode and not only a business line of a firm.

5.4.3 Implementation of Additional Internationalization Modes

There was a necessity to confirm whether new ventures plan or not any additional internationalization strategies besides the one already discussed, with marketplaces as main subject of discussion. In this respect, it was quite unexpected to observe that two out of three new ventures interviewed were in fact planning for additional strategies. However, it came to light that such strategies may be dependent on the service itself; therefore, it is not possible to expect the same behavior in all new ventures within the *app* economy.

On the one side, both Hooxter and Tellyo described they have planned for additional internationalization strategies. Mr. Hovi explained that Hooxter plans to engage on partnerships with local mobile operators in every country. These operators would serve as the sales and marketing section of the venture, promoting the *app* as a service together with their own brand and services, while Hooxter provides the technology and delivers the service to customers. Furthermore, Tellyo's Kimmo Koivisto explained the company will look for agreements with local TV networks, which will also serve as marketing counterpart to engage customers into using the service. On the other hand, the remaining venture Haircult had no plans to use any additional internationalization strategies, as explained by Mr. Code, during initial stages, in the sense of establishing any other sales or development channels outside of Finland; they would just rely on expanding their service through several marketplaces. He concluded, however, that such strategies could be implemented in future stages of the venture, when trying to better reach regions where initial impact may have been too low.

Given that both Hooxter and Tellyo ventures clearly expressed to have additional –and most importantly traditional- internationalization strategies, in contrast to what was initially forecasted by this study, further questioning was required by the author. After doing so, it was possible to find two main reasons behind such behavior.

The first reason, concluded by both ventures' founders, was explained because of the specific service characteristics, which after all required agreements with local counterparts to be able to operate; as a matter of fact, both cases mentioned it would be impossible to provide their *app* without having local agreements. Given this, it was of interest to the author to ask if

all ventures would eventually need to engage into local agreements to be able to provide their *app*, but both interviewees did not agree. It was explained that such need depends completely on the nature of the *app* in stake; some of them will require local permissions to run, to perform or to access specific data, just to name a few issues, while some *apps* can be used by customers anywhere with no such initial requirements. Therefore, it is possible for any new venture to be fully executed from its homeland without the implementing traditional internationalization modes, just as long as the *app* doesn't require it. Both ventures' specific *app* required it, resulting in the need to establish local contacts.

The second reason behind implementing a traditional internationalization strategy, also concluded by both authors, is related to the perception that it would be more effective to address local consumers through local partners, in terms of sales and advertisement, since visibility would be higher. Moreover, it could be understood that part of the visibility gain is a result of a localization of the *app*, given that it is supported by a local player. Given this, a whole new sub-topic was opened by the author. It was of interest to ask all of the interviewees if all *app* ventures would need to perform such localization or customization activities in order to be successful. Once again, the interviewees did not agree. First of all, Haircult's founder Christian Code clearly stated that this is a globalized world and companies should understand global problems and therefore develop global solutions. Once again, his view of new ventures in the *app* economy is that they are formed to solve problems, and in this sense, no drastic customization should be required if scalability and high growth are also planned –although some knowledge of local markets may be needed to understand global problems, but that can be solved by personally getting in touch with those regions, there is no need to establish an internationalization mode for the venture around it. In addition, Tellyo's CEO, Mr. Koivisto, expressed once again that it depends on the nature of the *app*. Within his own venture's situation, they need to customize TV listings to every country, they are forced to do so; but still, there is a continuous effort to customize as less as possible, to have just one and only *app* for everyone. In fact, he believes that all new ventures needing to localize will aim to reduce the degree of customization as much as possible. Given this, his final statement was that firms within the *app* economy do not necessarily need local customization. Likewise, Mr. Hovi, from Hooxter, expressed that there may be minor localization activities needed, but nothing that would be applicable to all firms, excepting those truly requiring it. In this respect, an *app's* specific characteristics determine its need for customization, and development of internationalization strategies around localization needs cannot be

generalized. However, Mr. Hovi also highlights that entrepreneurs should be able to learn and understand local cultures to be able to provide the best possible service, pinpointing that it is positive –but not critical- to plan for such local agreements if there is a possibility, it will not be harmful and may be viable if e.g. enough funding is raised for such purposes. This feeling is similar in all interviewees.

Parallel to this customization issue, the question of language barriers is also of particular attractiveness to the study. In contrast to what was believed by existing scholars, all three case interviews saw language differences as a minor issue. While Mr. Code believes that firms being European will e.g. start testing their service in the American market, even if based on a European country, and then expand “back” to the European market, all happening in English language and causing no troubles at all. Translations will be needed, eventually, but this issue is solved quickly. This final sentiment is also reflected by Mr. Koivisto, who believes it is only a matter of hiring translators; and by Mr. Hovi, who also explains that translations can easily be bypassed. Therefore, taking all responses together in order to find a common reason, it is possible to understand that the importance of the service, of the *app*, relies on its core, on the problem it is solving and its global applicability, not on the language it is presented on. As such, the *app* itself will always be the same, and translations will just serve the same service to users in their own language, a matter that will grow parallel to the venture’s expansion.

To finalize this category, it is still needed to reassure that service new ventures of the *app* economy have the possibility to become international without a need of traditional known modes of internationalization.

First of all, the interviewees were categorical in affirming that ventures can internationalize without having any physical presence abroad. If any, they all agreed that it would be a non-equity mode of internationalization, since there is no need at all to invest directly in fully owned subsidiaries, joint ventures or similar strategies. On the contrary, the most effective mode perceived is to establish sales and/or marketing partnerships with local companies, if needed. As such, hard service firms do have a similar pattern like manufacturing firms present, as forecasted, in which it is possible to become international without a need of engaging into FDI modes. In this sense, ventures in the *app* economy can behave as firms entering into modes like sales representative contracts or exports, selling its goods to counterparts abroad, while staying at home. Furthermore, a particular observation

needs to be highlighted referring to the fact that two out of the three studied firms are establishing agreements with very big local players, such as TV networks or mobile operators. This issue raises a big discussion on the high leverage needed to successfully attract such actors, while facing a challenging situation of presenting a trustful reputation and credibility due their nature of being younger firms. This discussion shall also be continued under the following Section Six. So far, the key learning is that new ventures can be international without engaging into physical presence

Secondly, the entrepreneurs were required to establish if new ventures are able to become international firms while doing nothing else than establishing their *apps* into the existing marketplaces. The purpose was to ensure that there is such possibility and responses by Mr. Hovi and Mr. Code were categorical in favor of it, while Mr. Koivisto confirmed it too but stating that it will depend on the particular characteristics of the *app* in question. Overall, it is possible to observe that all interviewees believe there is a possibility for a firm – being part of the *app* economy- to be international *from home*, just as already forecasted in the previous paragraph, but there is a big difference now: no need to establish a relationship with foreign counterparts can be identified such as engagement into a sales representative contract. To state this as a concrete finding, it appears possible for a firm to become international without engaging into any kind of known internationalization mode, being physically based on a domestic location while identifying, reaching and delivering its service globally, without engaging into any kind of contracting with foreign counterparts. This is as well a key learning and it shall be deeply discussed on the upcoming Section Six, but can already be estimated as a possible new scenario in the internationalization mode landscape which has not been described so far.

5.4.4 Virtual Marketplaces and the Internationalization of New Ventures

In this last category, it appears to be feasible that new ventures within the *app* economy are able provide their services globally –through virtual marketplaces- as a predominant mode of internationalization. Given the prior acknowledgements, the interviewees were asked if firms can be international since *Day One* of operations and all agreed completely to this possibility. The immediate reason behind this is that new ventures are able to have their service –their *app*- available in a marketplace even before inception. As

soon as the entrepreneurs are ready to launch e.g. a pilot *app*, based on a business idea, the service is available worldwide regardless of a firm being legally established or not. A parallel reason is that as soon as the *app* is available, it is ready to be consumed by any customer regardless of his or her location, as long as he or she possesses a mobile device and as long as the venture has made the service available for the user in that specific location, which can be accomplished just by selecting the location on a box, all in the same virtual platform. Furthermore, all three interviewees also believed that a new venture in the current *app* economy is both successful and international, or neither at all. On their perspective, it is not possible for a new venture to be successful without being international. A new venture providing its service only in its home country, disregarding the possibility of having it consumed by a larger market at no additional cost through the same virtual marketplace, would be a venture with no high growth expectations.

According to the interviewees, new ventures can be international since inception and the only existing alternative for this is the use of virtual marketplaces. As a result, the key learning is that new ventures rely completely on this alternative, which makes it the predominant internationalization mode within the *app* economy. Of course, this internationalization goal is consciously set, as already defined in previous paragraphs.

Two supplementary issues were also considered during data collection before its closure, which shall be pointed out now and further discussed on the following Section Six.

First of all, the interviewees were asked to define whether it is sufficient or not to be successful by just relying on virtual marketplaces. Mr. Koivisto from Tellyo agreed to this possibility as long as the entrepreneurs are keen enough to base their venture in a location where the service's industry is strong. In the same sense, Mr. Code from Haircult agreed stating the need for entrepreneurs to be capable of understanding local customs and cultures. Conversely, Mr. Hovi from Hooxter opposed to the statement, expressing that new ventures need additional strategies to be visible within a marketplace containing millions of *apps*, if the goal is to have a scalable business. So far, it can be understood new ventures still behave entrepreneurially and will try to find as innovative solutions as possible given their constraints, including additional internationalization strategies, to ensure the venture's success.

Secondly, it was questioned if new ventures face any specific challenges in this new *app* economy landscape. The answers were partially related to the previous ones. While Mr.

Hovi clearly stated the problem for a new venture to stand out from millions of other *apps* available even if the services are completely different from one another, Mr. Koivisto and Mr. Code similarly addressed the same situation from another angle, stating the difficulty of gaining a fast pace of customer acquisition and the need to identify global problems to understand and overcome local customs, respectively. Altogether, the challenge for new ventures is to be attractive to a global market while increasing visibility in terms of all other ventures offering their services in the same marketplace.

5.4.5 Summary of findings

Having merged all data into an ordered categorization, it is possible to present a summarized table containing all relevant findings and highlighting its respective key learning. Table 1, presented on the following page, condensates all findings collected from the sampled cases and aims to serve as a complementary reference for the reader, since the upcoming Section 6 shall discuss this collected data following the particular presented order.

Table 1. Summary of Collected Data and Key Highlights

Category	Question	Henri Hovi, Hooxter	Kimmo Koivisto, Tellyo	Christian Code, Haircult	Data Assessment - Key Learning
The Virtual Marketplace as an Internationalization mode	Can service firms internationalize through marketplaces?	Yes.	Yes.	Yes.	A marketplace could serve as an internationalization mode for service firms.
	Is it more beneficial than other traditional modes?	Yes. Communication with customers is better and real value is delivered.	Yes. Direct interaction possible. New user's marginal cost is close to zero.	Yes. customers are concentrated like in gated communities.	Twofold benefit: (1) clearly identifiable target market with direct communication and interaction and (2) a fast, effective and cost-efficient distribution channel that serves as a delivery method.
Internationalization within the App Economy	Do you plan to be international?	Yes.	Yes.	Yes.	Early stage new ventures plan to be international since start. There are no geographical boundaries through a marketplace.
	Do you rely on marketplaces for it?	Yes.	Yes.	Yes.	All use one or more marketplace as the main internationalization mode. It may be a new mode independent from others. It serves as distribution channel at the same time.
	Is the ultimate goal to enter a marketplace?	No. It is to be global.	No. It is to make the app global	Not ultimate. It assists to become international.	Reassures that new ventures plan to be international consciously. This supports the belief that marketplaces can serve as an internationalization mode and are not a "business line".
Implementation of Additional Internationalization Modes	Do you have an additional specific plan to internationalize?	Yes. Development of local partnerships for sales and marketing.	Yes. Advertising abroad and partnership with local networks.	No. Not during initial phases.	Unexpected result. New ventures seem to still implement additional internationalization strategies, traditional ones. Further questioning came to assess this behavior.
	Why?	The business idea needs the participation of local operators.	The app can't work if no agreement with local TV networks.	The app can be provided from current location during initial phases.	The nature of the app may require ventures to implement traditional internationalization strategies.
	Does a venture need to customize its app for each country/region?	No. Language translations and minor adjustments can be easily bypassed.	It depends on the app. If yes, all aim to customize as less as possible.	It is a globalized world, ventures aim to develop global solutions.	Apps tend to become a global service. Local understanding is important but customization is avoided and not required. Minor technical adjustments do not represent local customization.
	Is language a barrier?	No. It can be easily bypassed.	No. It is the easy part. It is just about hiring translators.	No. The solution should be global. Translations can come on the go.	The importance of the service, of the app, relies on its core, on the problem it is solving and on its global applicability, not on the language it is presented on.
	Can you be international without physical presence abroad?	Yes.	Yes.	Yes.	Hard services do have a similar pattern to manufactured goods in the app economy, as forecasted. It is possible to become international without a need of engaging into FDI modes.
	Can you be international by just being in a marketplace?	Yes.	It depends on the app.	Yes.	This may be a new scenario. It seems possible to be based on a domestic location while identifying, reaching and delivering a service globally, without engaging any known internationalization mode (neither FDI nor non-FDI).
The App Economy and a Predominant Internationalization Mode for New Ventures	Can you be international since inception, since Day One?	Yes.	Yes.	Yes.	The only way to do this is through a virtual marketplace. All agree that you are both successful and international or neither at all. Then, internationalization through marketplaces becomes a prevailing internationalization mode.
	Supplementary question: is it enough to be successful?	No. There are millions of apps available in the same place. There is a need to become scalable faster.	Yes, if entrepreneurs are keen enough to base their venture in a location where the service's industry is strong.	Yes, if you are able to understand local customs and cultures.	New ventures still behave entrepreneurially and will try to find as innovative solutions as possible given their constraints. Entrepreneurial drive, innovation, capabilities seem all critical. New ventures that aim to be scalable may plan to do as much as possible to overcome competition, to be visible in a same marketplace.
	Supplementary question: Are there any challenges?	Yes. To stand out from millions of other suppliers.	Yes. To gain a fast pace of customer acquisition	Yes. To identify global problems to and overcome local customs	The challenge for new ventures is to be attractive to a global market while increasing visibility in terms of all other ventures offering their services in the same marketplace.

6. Interpretation of Findings

This section presents a discussion of what the key highlights identified represent to this study, in light of the forecasted results. Once again, the discussion is structured following the already established categories to ensure a clear input of ideas. This evaluation aims to open the door to consequently present final conclusions and further implications.

6.1 The Virtual Marketplace as an Internationalization Mode

This first category aimed to establish an overview of the existence or not of a marketplace as an internationalization mode, and detailed characteristics will be discussed in the following categories. Overall, the interviews confirmed that marketplaces can be considered as a valid internationalization mode, as initially forecasted. The ventures in question and the interviewees' perception towards other *app* new ventures clearly showed that a virtual marketplace can serve as a tool for firms to internationalize.

Conclusively, a new mode for internationalization is spotted and requires deeper discussion in the upcoming categories. Its environment needs to be defined in order to ensure a feasible applicability for new ventures and to identify how it affects their behavior.

6.2 Internationalization within the *App* Economy

As presented in the frame of reference, the *App* economy is an industry with a magnitude that cannot be disregarded. The initial frame of reference predicted a possible impact to the behavior of all stakeholders within its reach. In this matter, the studied ventures showed clear signs of wanting to be international since its beginning; and furthermore, it appears that all firms within it do so. Moreover, the goal of new ventures in this economy is not to just achieve success in a marketplace; conversely, they consciously aim to achieve an international market, to become global. This reassures the fact that virtual marketplaces can be regarded as a valid internationalization strategy that requires planning and design, and is not just a marketing tool or a similar auxiliary instrument, as the Internet itself has been commonly described so far.

In addition, it has been possible to identify a swift in the perception of internationalization as a subject, given that geographical boundaries have been eradicated together with the new possibility of creating, executing and delivering the *app*, the service itself, through the same platform –the marketplace. This causes that new ventures are capable to aim for being a global firm since its establishment, especially considering that the service will be available on a marketplace and will be consumed wherever in the world the entrepreneurs chose it to be available.

Together with this, it is also possible to confirm that new ventures of the *app* economy aim for high growth at a fast pace, they look to be scalable. Such situation is very common in this environment because of the characteristics of the marketplace itself, which allows quick uploads of the service and makes it instantly available for all to be consumed. The potential of a new venture to become a scaled business is exponential, and the case analyses have allowed identifying that all strategies and goals are built up around this fact, towards the maximization of a global success.

6.3 Implementation of Additional Internationalization Modes

This category became quite more important than it may have been initially forecasted. It was thought that new ventures do not plan for any kind of traditional internationalization modes, but the case ventures showed opposite behaviors. More specifically, non-FDI modes such as agreements with local counterparts, to take care of sales and marketing departments, were observed. In this respect, it was identified that these modes are not *mandatory* nor something that all new ventures should consider; however, it is necessary to point out that traditional internationalization modes may also play crucial roles for some ventures within the *app* economy. If a venture's service requires local partnerships in order to function correctly, there are no possibilities for a marketplace to solve this issue, although it will still work as a distribution channel. Therefore, traditional internationalization modes cannot be disregarded from the *app* economy's landscape.

In addition, a very striking observation to be noted is that new ventures appear to aim engaging in relationships with big-sized players on foreign regions. As an example, the firms from the samples needing to establish partnerships were expecting to establish partnerships with broadcasting networks and mobile operators. These are crucial players from the

ventures' perspective and are commonly big corporations in every country, being immersed in strategic industries like IT and telecommunications. The reason behind is perhaps a need to solve complex situations, such as acquiring some specific right –e.g. broadcasting TV shows on mobile devices with a network's permission-; issues that cannot be solved at home by any means. On the contrary, new ventures are known to have difficulties in engaging with sales or partnerships already in their home countries, given their low traction and unconfirmed reputation. As a result, a particularly challenging situation is spotted for entrepreneurs, probably more than the usual, who have a need of delivering a very strong leverage –in exchange of that lack of trust- if they want to succeed in such contracts abroad.

6.4 Virtual Marketplaces and the Internationalization of New Ventures

The last category of this section aims to interpret how effective it may be for new ventures to have the choice of internationalizing through virtual marketplaces. Questions were directed in this direction starting with an appreciation if firms within the *app* economy are international or not since inception. Responses from the interviewees, which were all categorical, allow understanding that a particularly unique scenario is being lived in this environment. New ventures must enter a marketplace if developing *apps* as a service, as explained, therefore they will be international as soon as they do it, because their service will be available worldwide, from that same moment. In other words, ventures can be international since their creation, since inception. Given this, it is possible to observe that the *app* economy has developed a completely different environment for new ventures; instead of planning to rapidly internationalize in order to become a Born Global firm at a very fast pace, it is now possible to be present globally since inception and, if the service provided excels, it will be consumed all over the world in no time. Instant availability is the benefit that a virtual marketplace offers to their users.

Additionally, it was also discussed together with the interviewees the degree of success that could be achieved for a new venture by relying exclusively in internationalizing through a marketplace. Two respondents agreed it is possible, but challenging, while the third one believed it is not enough due to visibility challenges. In spite of what the challenges may be, it is possible to understand at this point that it is clear that internationalization through marketplaces is possible, as long as the entrepreneurs have been keen enough to appropriately

execute their business idea and attracted the target market. As such, it is possible to confirm that marketplaces are a valid internationalization mode, independent from additional alternatives.

Last but not least, it is needed to draw attention to any particular challenges that the *app* economy has brought to new ventures. The interviewees stated that gaining visibility in the marketplace is a key challenge, which also represents a risk of having a too low customer acquisition rate. On the one side, this can be seen as a common challenge for any new venture in any given industry. On the other, however, a difference can still be spotted since customers that “enter” a marketplace are already looking to acquire something. In other words, new ventures in another industry may need to identify and then contact potential customers, without having any traction or reputation to sustain, probably interrupting them on their normal activities, and trying to engage them into a conversation in order to attract their interest. However, the *app* economy allows a possibility for users to log into the marketplace, using their mobile device, at any given time, because there is a willingness to *find* something new in there. This may result in a different situation for new ventures, since the challenge is now to stand out from the crowd to gain attention from users open to receive a new useful *app* for its mobile device.

To sum up, the objective of this section has been to interpret as best as possible the data collected from the case studies. In it, key observations were pointed out which helped the author of this study to find answers to the proposed research questions. It is now possible to move on to the conclusive section of this document in order to appropriately determine how the environment of the *app* economy has influenced the current business sector.

7. Conclusions

Grönroos (1999) proposed a framework that would describe the internationalization modes available for service firms –without excluding manufacturing companies- given the technological improvements that had happened by the time. In his framework, traditional internationalization modes were merged together with a more recent online marketing possibility, without making any of them mutually exclusive. The latter strategy –online marketing- allowed a company to be visible online for any potential customer around the world, but was presented at the same time with a physical limitation to the service firm since sooner or later, it would need to rely on physical actions, on the physical world, to be able to complete the whole production-consumption process.

Conversely, the *app* economy has become an industry that is taking over a vast majority of business ideas and is a particularly attractive alternative for new ventures, as well as for established firms, to deliver their services to potential customers from anywhere to everywhere in the world.

In light of this study's findings, it has been possible to confirm that virtual marketplaces allow new ventures to internationalize with completely different means than any previous alternative. It can serve as a fully independent mode and is the default choice when entering the *app* economy. This industry offers a substantially different environment, one where new ventures can develop, upload, offer and deliver their services to consumers all around the world. Given this, it has also been possible to conclude that the internationalization process of a recently established new venture occurs instantly. As soon as the service is available, it can be consumed anywhere in the world.

In addition, it was also observed that these consumers are all concentrated in very few marketplaces, just as if they would be residents of a *gated community*. Such unique characteristic presents a whole new set of challenges for the ventures and its entrepreneurs, where a highly competitive marketplace is combined with the need of gaining visibility over any other service offered. This situation will surely bring implications which will be discussed in the upcoming section.

Moreover, it was observed that the production-consumption process can be fully completed through the use of one and only virtual platform, a marketplace; therefore, it is

feasible to confirm that the link between the virtual and physical worlds can now be fully separated, while opportunities for ventures' success remain intact. This particular situation has not been previously observed and requires to be considered.

Hence, all these conclusions allow the author to confirm the proposed updated the framework presented by Grönroos (1999). In it, the inclusion of “virtual marketplaces” as a separate category is suggested, given that it is a unique and independent internationalization mode which has not yet been described by scholars. The upcoming Figure 4 shows the proposed updated framework:

Framework of Internationalization Modes for Services

Mode	<i>Corresponding Traditional Internationalization</i>	Key Characteristic
Direct Export	<i>non - equity modes</i>	Domestic production of the good or service and shipment abroad.
Indirect Export		Joint export effort by two or more firms whose products and/or services complement each other
Direct Entry	<i>equity modes (FDI)</i>	Total or partial ownership (e.g. wholly owned subsidiaries, joint ventures)
Indirect Entry		Local operation without ownership (e.g. Licensing, franchising)
Electronic Marketing	-	Extension of a service's accessibility through advanced technology (e.g. Internet, cable TV)
Virtual Marketplaces	-	Complete use of a virtual platform to produce, offer, deliver and consume the service

Figure 4. Updated Framework by Grönroos (1999)

As it can be seen, the shadowed final row shows the added type of internationalization mode that has been identified and discussed throughout this study.

Last but not least, the study also observed that this new internationalization mode can be simultaneously combined with other traditional modes. Hence, all the internationalization modes presented in the framework are not mutually exclusive; this is the same the case as originally proposed by Grönroos (1999).

8. Practical Implications and Future Research

It is of utmost importance for to describe practical implications that can be drawn from the empirical findings as well as suggesting directions for future research. Having arrived to the final section of this study, the author aims to firstly present these implications to later on finalize with appropriate research suggestions.

First of all, in light of the empirical findings that suggest the existence of a new internationalization mode can present direct challenges towards the management team. Given that virtual marketplaces are now global, competition has also grown exponentially; and in addition, it may rise from anywhere in the world causing clear difficulties to identify. It is merely impossible to find out what is happening somewhere else in the globe with other new ventures getting prepared to launch. Therefore, the management team needs to develop appropriate plans to somehow prepare for such situations, require an extensive set of capabilities.

In addition, this same situation seen from the perspective of new ventures represents strong implications towards the entrepreneurs. Entering international markets within a numerous and highly competitive scenario; attracting potential customers that may be located anywhere and competing inside very few marketplaces, altogether represent a highly challenging environment which require entrepreneurs to develop a whole new set of capabilities to cope with these new scenarios. In this respect and to state an illustrative example, it could be thought that the high importance which was previously given to designing an international expansion strategy may have shifted into an importance of designing and planning strategies such as *global* customer acquisitions.

Altogether, the subject of innovativeness for new ventures has now achieved different levels, since it needs to be implemented beyond the business ideas themselves and it is particularly challenging now since there is no possibility for entrepreneurs to learn from past experiences. Successful new ventures may need to literally invent ways to attract customers through a digital marketplace that is equal for everyone, uncovering challenges that may have not been identified before.

On a separate topic, having acknowledged that some new ventures may require implementing additional internationalization modes, two strong implications can be

identified. On the one side, it has been observed that ventures may need to establish partnerships abroad to be able to function; apparently causing that these partnerships have to be done with big players across borders. This generates a highly challenging situation for new ventures that, being young and having no established reputation, need to find a possibly inexistent leverage to “convince” such big players into entering in partnerships. On the other side, this same situation shows that new ventures may face a critical risk of stagnating in its development by suddenly depending on the will of unknown foreign counterparts.

Moreover, findings also suggest that the subject of facing language barriers may have changed. Further research is recommended to determine if indeed language is no longer considered as a barrier in this particular environment, but has become more of a tool to increase trust and visibility in specific regions.

Additionally, findings showed that this new internationalization mode allows a possibility of significantly reducing costs. Given this, it would be feasible to believe that a growing number of new ventures shall seize this benefit provided by virtual marketplaces, but it would also suggest that established firms offering traditional services can look towards marketplaces as means to increase their market shares. This could be particularly feasible given that mobile users are increasingly engaging into de use of *apps* and spending more time in it, and traditional services such as the ones in the banking industry have already shown to actively offer mobile *apps* for their customers. Further research is suggested to evaluate this possibility of increasing market shares through the use of virtual marketplaces, or even risking to lose it, if not.

In this same topic, it can be seen that financial forecasts of new ventures may also be changing significantly, concentrating a new venture’s spending in different areas. Therefore, this possibility could also affect the venture’s behavior and needs to be evaluated; while at the same time it has been identified as reason for the high increase of new ventures entering the *app* economy.

Further research can also be suggested in terms of the perception of internationalization for upcoming new ventures. It has been acknowledged so far that internationalization has been understood as a logical step to be taken by a venture sooner or later, when starting its expansive stage. However, the current environment allows new ventures to be international since inception, to be international as a starting point of a venture’s business model; therefore

the perception towards this subject may have substantially changed and further research is needed to evaluate it.

Conclusively, it is possible to forecast that the raise of virtual marketplaces shall strongly continue its exponential growth, implying that a whole new number of studies are needed to be performed to appropriately evaluate the aforementioned practical implications. Taking special consideration on the new critical challenges that have been identified, which surely require completely new sets of capabilities to be developed by entrepreneurs, researchers inevitably need to provide them valuable and effective assistance in this life journey they are about to embark in.

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Appendices

Appendix 1: Questionnaire Guidelines for the Interview

Introduction to the Interview

- a) I am Vicente Abril, Aalto University student aiming for Master's Degree in Entrepreneurship
 - b) Together with me is _____, co-founder of _____
 - c) Purpose of the Research Statement
 - Research work for my thesis which aims to know how new ventures internationalize in the current business environment by evaluating the rising app economy
 - d) Confidentiality statement
 - Everything discussed in these interview will be exclusively used for research purposes, nothing will be used or discussed out of this and the most important findings will be placed in the final research document
 - e) Given this, do I have your permission to tape this interview?
-
- 1) Knowledge regarding the app economy and the uniqueness of its digital marketplaces
 - a) Your venture, is it part of the app business
 - b) We are at Aalto Venture Garage (when applicable), why did you choose to develop the venture here?
 - c) So, you are an entrepreneur nowadays
 - Any previous entrepreneurial experience?
 - Did / does your academic background give you any advantages to become an entrepreneur?
 - Is it related to your venture?
 - d) Since your venture is part of this app economy, let's talk about it for a while
 - What attracted you get involved in this particular business?
 - (1) Besides the personal side (studies or previous entrepreneurial experience)
 - (2) Networks maybe? (team formation, pilot customers, strategic partners)
 - 2) Own experience and decisions made/planned in his/her own new venture
 - a) Let's talk about your venture for a while
 - What do you think it means ****to be international**** for an app venture?
 - (1) Have customers abroad maybe?
 - (2) Operate abroad? (have physical presence there)
 - Does your venture **want** to be international?

- Have you planned for any strategy(ies) ****exclusively**** aimed to make your venture international?
 - (1) If yes
 - (a) can you please tell a bit more?
 - (2) If no
 - (a) there is still the idea of becoming international, so what does it take to do it?
 - (b) is there a big focus on the app itself?
 - (c) are there any other strategies to be considered that would help your venture in becoming international?
- 3) Perception towards traditional internationalization modes and its applicability
- a) If you think of traditional internationalization modes such as
 - non-FDI or non-equity like exports or signing local representatives in another country
 - (1) have you ever considered this option for your venture at any point?
 - (2) in relation to your venture, do you think it could be worth to aim for it?
 - FDI - equity like establishing a joint venture with a firm on another country
 - (1) have you ever considered this option for your venture at any point?
 - (2) in relation to your venture, do you think it could be worth to aim for it?
- 4) Perception towards the feasibility of executing an internationalization with the use of the marketplace
- a) And now we move to the last questions
 - Joint question
 - (1) Have you planned to apply any internationalization mode in the future/later stages?
 - (2) Do you think it is possible to be international by just being visible through a marketplace?
 - Can you think of any challenges relating to becoming international in the app industry?