

The Internationalization of a C2C E-commerce Platform Provider, Case: Trendsales ApS

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Abstract

Internationalization of firms is a widely studied business phenomenon, which, after several decades of study, still persists as an important interest among International Business scholars. This master's thesis examines the internationalization process of a company, which offers an internet-based fashion trading platform for private consumers, and can, thus, be defined as a customer-to-customer (C2C) e-commerce platform provider. This case company, Denmark based Trendsales ApS, has to date expanded its operations to Finland, Sweden and Norway.

The main objective of this study is to provide a rich description of the case company's internationalization process, and to thereby suggest how the internet-based C2C strategy affects internationalization. The underlying motivation for this study is the relatively scarce academic literature concerning the internet and the C2C strategy in relation to firm internationalization. The study is conducted based on a single case study design, which focuses on the international undertakings of the case company. A traditional internationalization model, the POM-model by Reijo Luostarinen (1979), is used as a framework for the examination in order to form a holistic view on the studied phenomenon.

The main output of this thesis is a model combining three strategic aspects (concept, operations and markets) in Trendsales' internationalization. The main findings conclude that the company has to date internationalized in a step-wise manner and has not captured all the advantages offered by the internet. The C2C strategy has demanded for increased local adaptation, which is why a fully global internationalization strategy has not been utilized. Although Web 2.0 based technologies are the bases of Trendsales' business model, social exchange was found to play a supportive role in this strategy. The supporting findings of this thesis study relate to the internet as an operational environment.

Keywords Internationalization, Internet, C2C E-commerce, Platform Provider

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Tiivistelmä

Yritysten kansainvälistyminen on laajasti tutkittu ilmiö, joka yhä useiden vuosikymmenten tutkimuksen jälkeen kuuluu kansainvälisen liiketalouden tutkimuksen kiinnostavimpiin aiheisiin. Tässä Pro Gradu -työssä tutkitaan Internet-pohjaisen, muodin alalla toimivan yrityksen kansainvälistymistä. Tämä tanskalainen yritys, Trendsales ApS, tarjoaa sovellusalustan ja siihen liittyviä palveluita yksityisille muotia myyville ja ostaville käyttäjille, minkä takia yritystä voidaan kutsua niin sanotuksi ”customer-to-customer” (C2C) palveluntarjoajaksi. Trendsales on tähän mennessä laajentanut toimintonsa Suomeen, Ruotsiin ja Norjaan.

Tämän tutkimuksen päätavoite on luoda syvä katsaus Trendsalesin kansainvälistymiseen, ja sen kautta ymmärtää myös C2C-strategian vaikutuksia kansainvälistymisprosessissa. Tutkimuksen taustalla on kohtalaisen hajanainen ja niukka C2C-strategiaa ja Internetiä koskeva akateeminen kansainvälistymiskirjallisuus. Tutkimusmenetelmänä käytettiin yhden yrityksen kansainvälisiin toimintoihin keskittyvää tapaustutkimusta. Tämän lisäksi tutkimus hyödyntää Reijo Luostarisen (1979) POM-mallia tutkittavien strategisten osa-alueiden pohjana.

Tutkimuksen lopputuloksena on malli, jossa tapausyrityksen strategiset osa-alueet (konsepti, toiminnot ja markkinat) muodostavat kokonaiskatsauksen yrityksen kansainvälistymiseen. Päälöydöksenä voidaan pitää sitä, että Trendsales on kansainvälistynyt askeleittain ja sitä, että yritys ei ole pystynyt hyödyntämään kaikkia Internetin tarjoamia etuja. C2C-strategia on vaatinut paikallista mukautumista, minkä takia Trendsales ei ole voinut harjoittaa täysin globaalia strategiaa. Vaikka Trendsalesin liiketoimintamalli pohjautuu Web 2.0 teknologiaan, sosiaalinen jakaminen on vain tukevassa roolissa yrityksen strategiassa. Päälöydösten lisäksi tutkimus valottaa Internetiä toimintaympäristönä.

Avainsanat Kansainvälistyminen, Internet, C2C e-kaupankäynti, Sovellusalusta

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1. Introduction

1.1 Background

Internationalization of the firm began to emerge as a field of study in the 1950s, and some of the most cited internationalization theories were developed a few decades later, in the 1960s and 1970s. To date firms' journey into international and global markets has been researched widely. However, with constant changes in the business environment firms expand into international and global markets in various new ways, making the internationalization studies an ever interesting field.

The context of this thesis study combines two phenomena, which may be considered among the most important ones affecting the western business world of the 21st century – the internet and the services industry. Since its advent in the 1980s, the internet has re-shaped the world we live in. The internet has not only been an instrument in creating completely new industries, but it has also transformed the operations of traditional ones. The internet has opened the door to a global marketplace, in which physical borders and time zones decrease in importance.

The services industry, on the other hand, has increased in importance over the past years. Services' role has been accentuated, for instance, by characterizing them as the driving force in the global economy and the most dynamic sector in international commerce (Ripolles, Blesa & Roig, 2010). Also the services industry has been affected by the wide deployment of the internet, and several internet-based services, such as e-banking and e-training, have emerged (Loukis, Pazalos & Salagara, 2012).

Both the internet and the services industry have been researched in connection with firm internationalization. However, a specific form of internet-based services, namely the

customer-to-customer (C2C) e-commerce platforms, remains a rather under-researched area in the field of internationalization studies, and thus represents an interesting master's thesis study focus. C2C e-commerce platforms base on Web 2.0 technologies, which accentuate the role of the user as an active content creator, rather than simply a content consumer. The C2C platform providers, such as eBay and Amazon, can be viewed as intermediary service providers acting as facilitators of private consumer trading.

In summary, existing at the heart of international business studies, the process of firm internationalization can be seen as a natural choice for a master's thesis topic. The focus on C2C e-commerce platforms positions the thesis in an emerging area of IB studies, and thereby contributes to the ever evolving academic literature concerning firm internationalization. In addition to this, this thesis study finds its background in the personal contact of the author and the case company. Therefore, the underlying motivation for this study does not only relate to its relevant positioning among the existing academic literature, but also to the author's intrinsic interest in the case company.

1.2. Research objectives and research question

This thesis is written based on a qualitative single case study and examines the internationalization process of a C2C e-commerce platform provider Trendsales ApS. Trendsales began its international expansion after seven years of operation in its domestic market and has to date expanded its operations into three foreign markets. The aim of this thesis is to construct a rich perspective of this company's international operations. More specifically, the primary interest of this study is to reveal whether and how acting on the internet and as a service provider for the C2C market affects the case company's internationalization process.

In order to examine the issue in a holistic manner and to create a bridge between traditional internationalization theories and the emerging context of this thesis, a traditional internationalization model is used as a guiding framework. The model chosen is Reijo Luostarinen's POM-model, which was developed in the late 1970s, and views firm internationalization as a gradual stage-wise progression in *products, operations and markets*.

The model is not intended to be tested in order to reveal whether it is applicable in the selected context. The strategic aspects of the POM-model will rather be used as focuses when constructing the "storyline" of the case company. These focuses will, therefore, help to answer the "what", "how" and "where" questions regarding internationalization.

This thesis examines internationalization within a relatively short time span and through the investigation of a single case. The resulting findings thus describe a very context-specific business situation rather than a generalizable phenomenon. As a result, this thesis does not produce theory or suggestions, which would apply across different contexts and could be generalized to a population. Rather, the findings can be used as a basis for further research and may, to some extent, be transferable to similar cases and contexts.

There are two major reasons for this thesis study being relevant. As mentioned, the existing literature in this specific focus area is scarce, which leads to the study contributing to the existing academic literature. The focus provides an insight about the role of the internet in international operations, and on the influence of the C2C strategy on internationalization. Thus, although this thesis examines a widely studied phenomenon, the specific context and the case company itself increase the relevancy of the study. Secondly, the significance of this study also lies in its possibility of benefitting the case company in its further internationalization.

Based on the above discussed objectives, the main research question and the sub-questions are formulated in the following way:

1. How has Trendsales internationalized its operations into foreign markets?

- 1.1. How does the internet-based C2C concept affect the company's internationalization strategies?
- 1.2. How have the international operations been organized?
- 1.3. Which markets has the company targeted in its internationalization and why?

1.3. Definitions and scope

Internationalization of a firm can entail *inward* and *outward* internationalization. The former refers to internationalization in which a firm does not expand into new foreign markets, but rather engages in inward international activities, such as purchasing supplies from international markets. The latter term refers to such firm expansion into new foreign markets, which is studied in this thesis. Thus, the term *internationalization* used in the upcoming chapters exclusively refers to outward internationalization. Other terms are explained within the text.

With the body of literature concerning internationalization being very broad, the literature review is limited to that literature, which the author of this thesis found most relevant. Excluding the POM-model, the traditional internationalization literature is reviewed only briefly. The internet, and its impacts on firm internationalization, has also been studied from a variety of perspectives, yet this thesis only reviews a portion of it. Finally, due to availability issues, the literature review chapter does not review any academic literature regarding the internationalization of C2C platform providers.

Despite these limitations, the author of this thesis views the literature review as suitable for the purposes and context of this study.

1.4. Structure of the thesis

Following this introductory chapter, this thesis is divided into five chapters. Chapter two, the literature review, reviews relevant academic literature in the fields of traditional internationalization theories, the POM-model, services internationalization, the internet and the C2C markets. The literature review begins with a description of the POM-model and traditional view of services internationalization in an effort to construct the backdrop for the context of this thesis. The first three sub-chapters could, therefore, be seen to form a view of a “traditional internationalizing service firm”, while the following sub-chapters link the review to a more contemporary context and to the focus of this study.

Chapter three, the methodology, reviews and justifies the methodological choices used in the empirical part of this thesis. Chapter four, the case description, presents the case company Trendsales and its background for internationalization. This chapter utilizes both primary and secondary data. The empirical findings are presented in chapter five and discussed in chapter six. The seventh and final chapter draws together the most important findings of the thesis, reviews managerial implications and makes suggestions for further research.

2. Literature review

2.1 Internationalization theories

The process of a firm's internationalization lies at the heart of international business studies. Since the 1950s the topic has been of great interest among international scholars (Sasi, 2011). While the process of internationalization has been studied from a variety of perspectives, a single comprehensive model has not been established. Coviello and McAuley (1999) as well as Coviello and Martin (1999) divide internationalization literature into three main schools: 1) the economic school of Foreign Direct Investment (FDI) theory, 2) the relationship school of the Network Perspective and 3) the behavioral school of Stages models.

The FDI theory of internationalization has emerged from several different paths. For instance, the transaction cost analysis has led supporters to argue that firms choose their organizational form and location by evaluating the costs of economic transactions. Dunning's (1980, 1988) eclectic paradigm, on the other hand, looks beyond economic costs as the single determinant of firms undertaking FDI. According to his paradigm, internationalization, ownership-specific, and location specific advantages must be present. (Coviello & Martin, 1999.)

While the FDI theory does not take into account the role of social relationships in business transactions, the network perspective focuses on the interorganizational and interpersonal relationships, and argues that internationalization decisions are influenced not only by strategic decisions but also by the behavior of the network members (Coviello & Martin, 1999). The network perspective views internationalization as a process embedded in an institutional and social web, through which a firm is able to access resources and information (Bell, McNaughton, Young & Crick, 2003).

The stages models regard internationalization as a gradual process, in which a firm incrementally increases its knowledge and thereby its foreign market commitment. The central assumption of these models is that internationalization is initiated with activities, which are lower in risk and commitment. Managerial learning gradually results in activities, which require more commitment and investments, but also have the possibility to yield higher gains. (Coviello & Martin, 1999.) Luo, Zhao and Du (2005) argue that despite the emphasis, such as the behavior rationale or transaction cost logic, most internationalization theories commonly agree the process of internationalization being a gradual learning process, in which the degree of foreign market commitment increases step-wise.

The stages models of internationalization have their roots in Sweden and Finland of the 1960s and 1970s. At the time, internationalization presented an important interest among the Nordic researchers, and suggestions of step-wise internationalization were made by researchers studying Swedish and Finnish firms. The *Uppsala stages model*, based on the research by Jan Johanson and Finn Wiedersheim-Paul (1975) as well as Jan Johanson and Jan-Erik Vahlne (1977), and the *Helsinki stages model*, based on the research by Reijo Luostarinen (1970, 1979), were developed concurrently and they both relied on the core view of a gradual internationalization process. (Sasi, 2011.)

Despite the two models' similarities in their core assumptions, the Uppsala and the Helsinki stages models differ in some key aspects. Overall, the Helsinki stages model can be viewed as more holistic. The Helsinki stages model also examines internationalization from a firm-level perspective, while the Uppsala stages model focuses on the target country level. (Sasi, 2011.) Because of these qualities, the Helsinki stages model, and more specifically the POM-model developed by Luostarinen (1979), is chosen as a framework for this thesis. A traditional view on firm internationalization will be discussed further through the examination of the basic components of the POM-model.

2.2. The POM-model

The POM-model builds upon the view of a stage-wise and longitudinal internationalization process. The model examines internationalization mainly from the point of view of the firm and answers the questions “what”, “how” and “where” firms internationalize (Luostarinen, 1994). At the firm level internationalization is viewed as a development, in which a firm can first test its products in a foreign market through operations, which require minimal commitment and risk (Luostarinen, 1994). Managers are, thus, viewed as risk-avoiders rather than risk-takers (Sasi, 2011).

Operations in the first stages also increase the knowledge and experience related to the particular foreign market, thereby making further investments less risky. Knowledge is an important underlying factor in this model, and it is assumed that knowledge about foreign operations and markets should be primarily acquired through experience. According to the model, the gradual development in the international operations and commitment is followed by the establishment of a foreign production subsidiary at the last stage (see figure 1). (Luostarinen, 1994.)

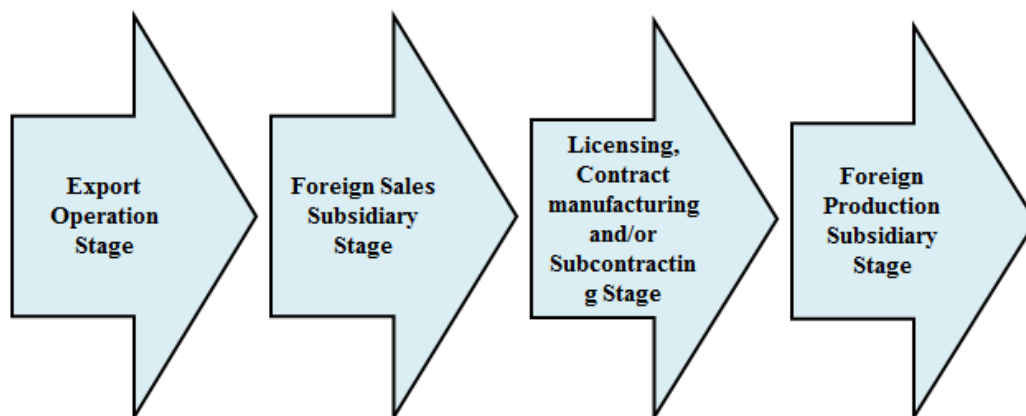


Figure 1. Stages of international operation at the company level (adopted from Luostarinen, 1994, 6).

More specifically, the POM-model views internationalization as a process concerning the gradual development in three strategic components: products (P), operations (O) and markets (M). Products are seen to develop from plain goods to include services, systems and finally know-how. (Luostarinen, 1994.) This idea can be interlinked with the assumption of internationalization proceeding from less committed operations to investment modes – plain goods are easy to export while services, systems and know-how are more likely to require presence in the host market.

The model uses the degree of foreign direct investment (non-investment vs. direct investment) and the function (marketing vs. manufacturing) as the two key dimensions in the different operational modes in foreign market servicing (see figure 2). Non-investment marketing operations (NIMOs) represent the exporting phase in a firm's internationalization process. At this stage the firm does not conduct FDI and is involved in marketing its products rather than producing them abroad. The direct investment marketing operations (DIMOs), on the other hand, increase the level of commitment as direct investments are required. Continuing, production activities are first initiated by non-investment production operations (NIPOs), which are followed by direct investment production operations (DIPOs). (Luostarinen, 1994.)

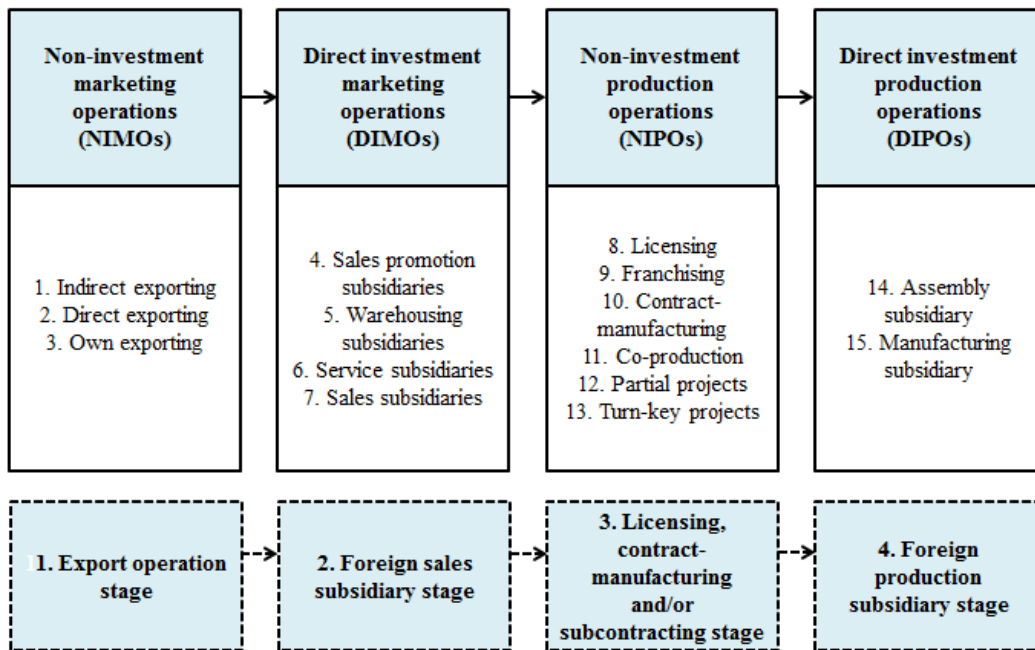


Figure 2. Foreign operations according to function and FDI and internationalization stages (adapted from Luostarinen, 1994, 11).

In regards to the market strategy, the POM-model suggests that firms enter those countries first, which are closer in terms of *business distance*, and gradually advance to further countries. Business distance refers to the differences in culture, geography and economy (Luostarinen, 1994), and can thus be paralleled to the concept of *psychic distance* used in the Uppsala stages model. Johanson and Wiedersheim-Paul (1975) define psychic distance as differences in language, culture, political systems, level of education, level of industrial development, etc., which prevent or disturb the flow of information between a firm and a market.

When the three strategic aspects, products, operations and markets, are combined the total POM-pattern of a firm can be identified. On the basis of the POM-pattern the internationalization process can be divided into four stages, as shown in figure 3.

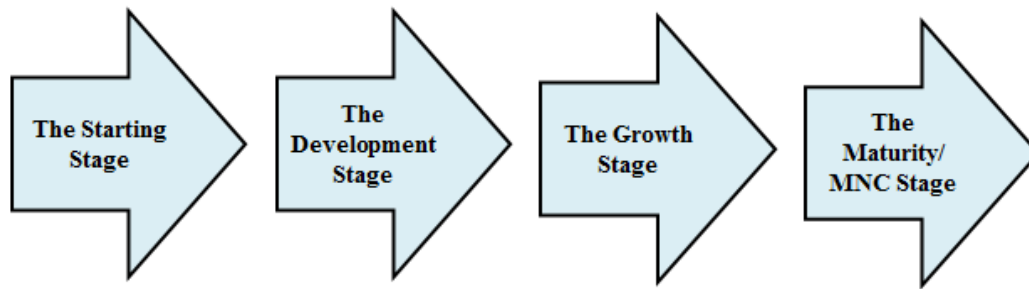


Figure 3. The POM pattern in stages (Luostarinen, 1979).

The applicability and explanatory power of the POM-model, and the stages models in general, have been questioned by critics. For instance, the process approach to internationalization has been described as overly deterministic and false in its assumption of internationalization always being a relatively slow process (Welch, Benito & Petersen, 2007). Especially the Uppsala stages model has been criticized in its lack of acknowledging the possibility of leapfrogging stages of operation, de-internationalization and re-internationalization (Sasi, 2011). This view is emphasized by some researchers' (Nordström, 1991; Oviatt & McDougall, 1994; Calof & Beamish, 1995; Bell, 1997; Arenius, 2002, in Sasi, 2011) argument of the stages model being completely unsuitable for explaining contemporary firm internationalization.

Sasi (2011) argues in favor of the POM-model by noting that it addresses many of the criticism regarding the Uppsala stages model. Also in this thesis a positive stance is taken by considering the POM-model as a valuable tool for analyzing firm internationalization from the point of view of three strategic components. For the purposes of this thesis, a rather simplified visualization of the POM-model is presented in figure 4. The visualization is intended to summarize the basic ideas of the model as the author of this thesis views them.

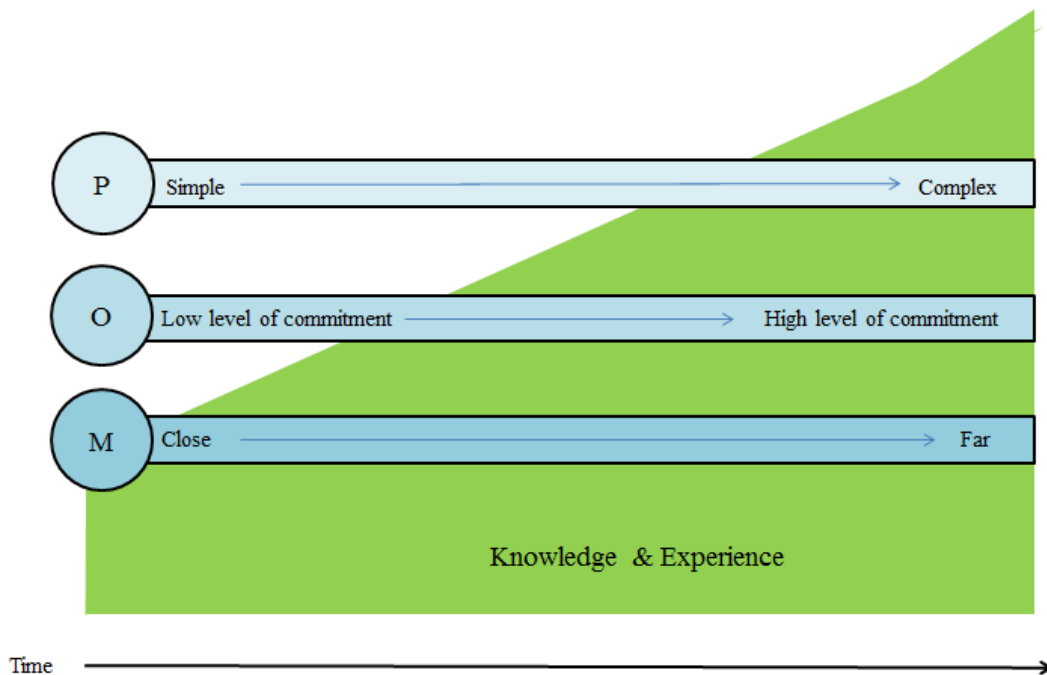


Figure 4. The basics of the POM-model.

2.3. Services and internationalization

The stages models of internationalization, including the POM-model, mainly examine internationalization from the point of view of a manufacturing company. Literature regarding the internationalization of services began to emerge as a result of service companies following their clients to foreign markets. Erramilli (1990) argues that Weinstein's (1977) work implicitly indicates that the early internationalizing service firms expanded to foreign markets primarily in order to serve the overseas affiliates of their domestic clients. Due to already having experiential knowledge of their clients and belonging to an existing international network, client followers have been suggested to experience less uncertainty and fewer problems when expanding their operations into foreign markets (Majkgård & Sharma, 1998, in Kennedy, 2005).

The “market seekers”, on the other hand, have been suggested to be later entrants, who expand to foreign markets primarily to serve new foreign clients (Erramilli, 1990). Market seekers lack experiential knowledge of foreign markets and have operated in a domestic network that provides little assistance when expanding abroad (Majkgård & Sharma, 1998, in Kennedy, 2005). Consequently, client following firms commit more resources abroad than market seekers and exhibit significantly more aggressiveness in choosing entry modes when following existing clients than when serving new customers (Erramilli & Rao, 1990, in Kennedy 2005).

A fundamental question regarding the internationalization of services is whether the process of services internationalization differs from that of manufacturing firms. While some researchers have argued that factors influencing manufacturing firms’ choice of entry mode are in essence generalizable to services (Agarwal & Ramaswami, 1992; Terpstra & Yu, 1988, in Kennedy, 2005), it has also been argued that the inherent nature of services influences the potential entry modes available (e.g. Erramilli, 1990).

Services have been traditionally differentiated from manufactured goods by identifying distinct characteristics, which affect their production and delivery. In literature different attributes seem to be accentuated in importance over others, but the following five characteristics have been found to be distinct for services (Cowell, 1986, in Buckley, Pass & Prescott, 1992):

1. **Intangibility:** Services do not often consist of physical attributes, which could be directly assessed through senses.
2. **Inseparability:** Services are often produced and consumed simultaneously.
3. **Heterogeneity:** Due to the nature of services, the outputs of individual service activities may differ in quality.
4. **Perishability:** Many services cannot be stored.
5. **Ownership:** Some services cannot be bought as such, but rather the right to use the service at a given time is being traded.

Despite the difficulty of distinguishing pure goods or services (Buckley et al., 1992), services have been categorized based on a focal characteristic. Erramilli (1990) put increased focus on the characteristic of inseparability and divided services into two groups: *hard services* and *soft services*. According to this distinction, hard services are characterized by production which can be separated from the consumption, whereas soft services must be produced in co-location with the consumer (Erramilli, 1990).

The ability to produce a service in one country and transfer it in a tangible embodied format (e.g. document) into another enables firms offering hard services to utilize similar foreign market entry modes as those offering manufactured goods. In contrast, in the case of soft services the necessity to co-locate production has been suggested to lead to limited options for entry modes. Entry modes, such as exporting, which require a physical separation of production and delivery, cannot be employed in the case of soft services. Thus, firms offering soft services are suggested to be limited to entry modes, such as contractual entry, licensing or franchising and foreign direct investment, which require a higher degree of investment and commitment capability. (Erramilli, 1990.)

Recent literature suggests that the array of internationalization modes used by service firms is broad and heterogeneous (Philippe & Léo, 2011; Bouquet, Hébert & Delios, 2004). Also Ball, Lindsay & Rose (2008) argue that the assumptions of limited entry mode options in the service sector may be overly simplified. The authors argue that even the softest of services can be internationalized through operations, which require fewer resources and lower involvement.

Understanding service internationalization becomes increasingly important, as the central role of the service industry in the global economy has become increasingly apparent within the past decade (Philippe & Léo, 2011; Ball et al; 2008; Javalgi & Martin, 2007). It has been suggested that the performance in the service sector rather

than in manufacturing will be accentuated as a competitive force in the future (Javalgi & Martin, 2007).

2.4. Internet as a changing force in firm internationalization

It has been argued that internationalization is becoming increasingly dependent on a firm's ability to deliver such value, which is ultimately defined by the internationally oriented and well-informed consumers browsing in the World Wide Web. A firm's voyage into the internet can be seen as similar to that of moving into different countries and cultures - the online environment's rules, etiquette and practices must be observed, understood and adapted to in order to be successful. (Etemad, Wilkinson & Dana, 2010.) In this section the internet and its impacts on firm internationalization are discussed. The section will demonstrate how the internet can alter the traditional internationalization process.

2.4.1. Internet as a business environment

Since its advent in the 1980s the internet has in many ways reshaped the business world. The internet extends the marketplace beyond traditional boundaries and removes it from a temporal and geographic location (Laudon & Traver, 2004). Whereas the offline marketplace represents the physical world of resources, the online marketplace represents the virtual world of digitalized information (Rayport & Sviokla, 1994).

Internet-based businesses are generally subject to fewer physical barriers in surpassing national borders and less influenced by entry barriers associated with physical presence and startup facilities (Luo et al; 2005). The internet offers firms with a global reach of potential customers and facilitates lower market entry costs, as the technical standards of the internet are universal (Laudon & Traver, 2004). However, the internet also opens the market for new competition. It has been suggested that the open nature of the

internet hampers the establishment and maintenance of proprietary advantages, and thus decreases barriers to entry (Porter, 2001).

From the consumers' perspective the internet offers access to numerous suppliers of products and services around the world. The existence of global brands and the ability to access information regarding national trends leads to the globalization of consumer needs and tastes. (Yip, 2000.) It has also been argued that the internet lowers consumers' switching costs from one supplier to another by enabling the comparison of suppliers with only a few mouse-clicks. Due these effects, the bargaining power increasingly shifts from suppliers to consumers. (Porter, 2001.) Some of the effects of the internet on industry structure are summarized in figure 5.

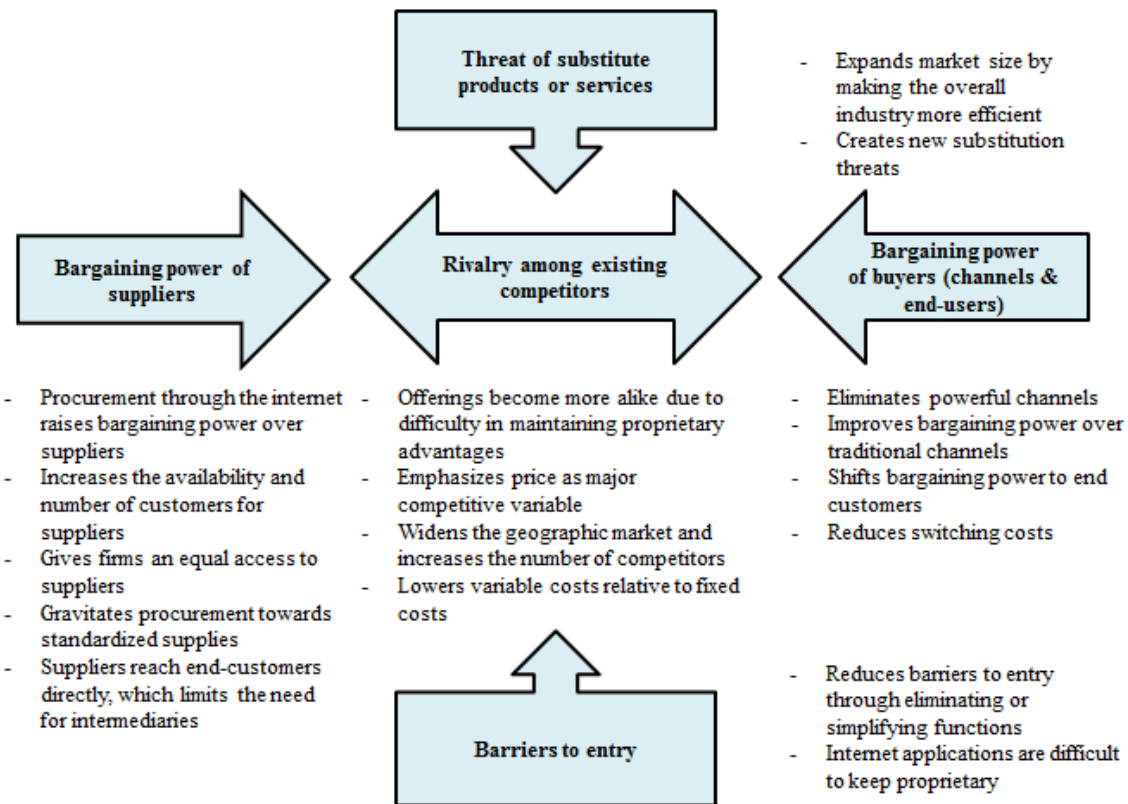


Figure 5. The internet's influences on industry structure (adapted from Porter, 2001, 67).

The development of the internet has also resulted in the emerge of completely new internet-based industries, such as online-marketplaces (Porter, 2001). For companies acting in these kinds of industries the internet represents the main method of servicing domestic and foreign markets. For traditional “bricks ‘n’ mortar” firms, the internet offers with the possibility to utilize it as a part of the traditional business model also when operating internationally. Figure 6 visualizes complementary internet usage at different levels of operational – and sales channel strategy.

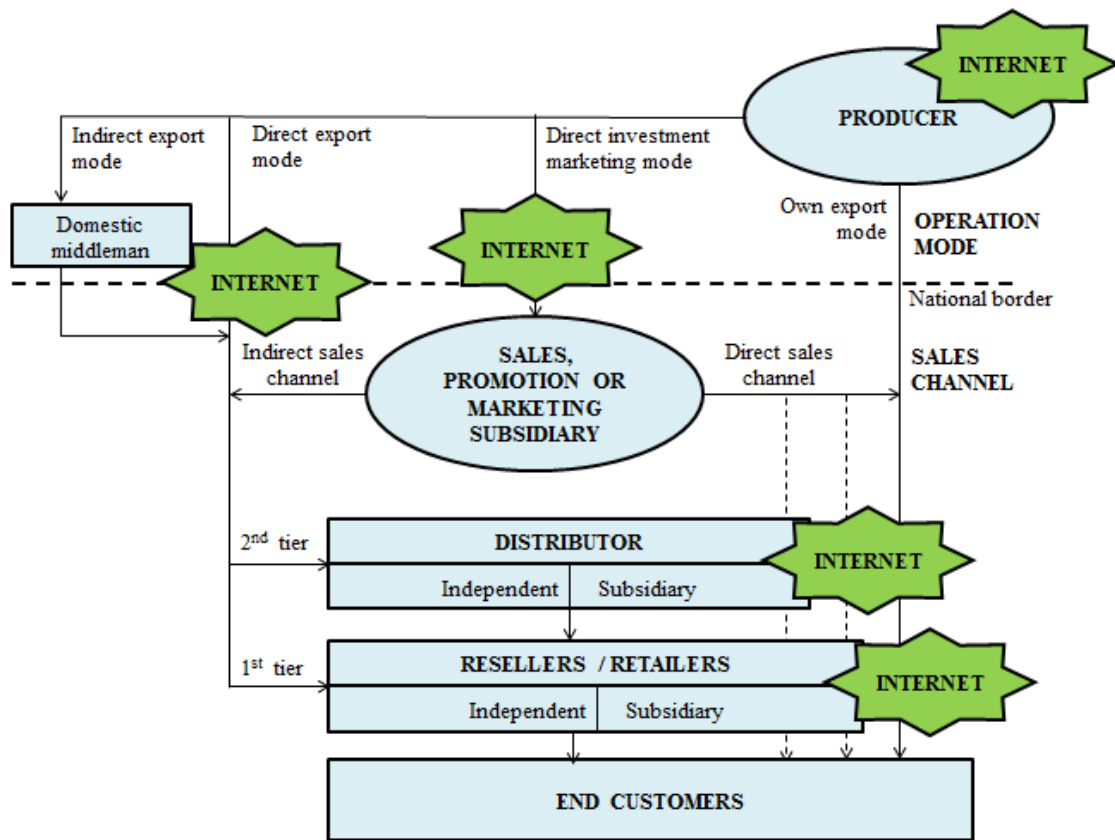


Figure 6. An internet model for international operations and sales channels (Sasi & Arenius, 2012, 74).

2.4.2. Digitalization of the value chain

Using the internet as a part of the operational – and sales channel strategy involves the digitalization of selected functions in a value chain. A value chain can be defined as a set of activities through which a product or service is produced and delivered to customers (Porter, 2001). For instance, the internet can be used in the procurement, logistics and sales functions (Porter, 2001). The ability to digitalize parts the production and delivery process of a good or service seems to be a central factor in internationalization through the internet. This factor determines which parts of a cross-border value chain can be converted into an electronic format and which activities need

to be conducted in a traditional manner (Yamin & Sinkovics, 2006; Grant & Bakhru, 2004).

In the case of service firms, the different functions in a value chain can be alternatively viewed as front and back room activities (Ball et al; 2008). Ball et al. (2008) use a value transformation model to visualize the flow of value creation through the different information-based activities (see figure 7). The ability to produce and transfer information in an electronic format offers new options of internationalization especially for information-intensive service firms (Ball et al; 2008).

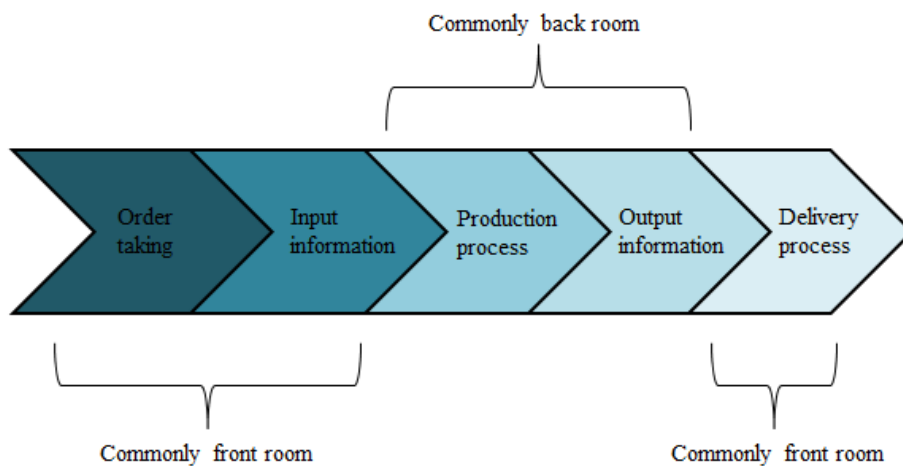


Figure 7. Value transformation model of information-intensive soft services (adapted from Ball et al; 2008, 420).

The degree of digitalization becomes a strategic issue, as digitalization can decrease the need for local investments (Grant & Bakhru, 2004), and thereby have dramatic effects on the costs of operating internationally. The internet can be used as a resource conserving strategy especially due to the reduced necessity to be physically present in a foreign market (Arenius, Sasi & Gabrielsson, 2005). Additional influences may include the possibility to use the internet as a marketing tool (Sasi & Arenius, 2012).

The cost effect of digitalized content is also clear from the point of view of replication. Digital content can be expensive to create, but once created the costs of replication are trivial. Therefore, the economics of e-business are dominated by extreme scale-economies. (Grant & Bakrhu, 2004.) This suggests that a fully digitalized business model can be fairly cost-efficient to replicate in new markets.

2.4.3. Local adaptation in the internet

The ability to digitalize even the entire value chain supports the possibility of operating based on a standardized global business model (Grant & Bakrhu, 2004). However, internationalization through the internet usually involves at least some degree of local specificity (Yamin and Sinkovics, 2006). Understanding foreign consumers and overcoming cultural barriers as well as language differences can represent a challenge for firms internationalizing through the internet (Violino, 2001 in Singh, Furrer & Ostinelli, 2004), which may lead to a low degree of local adaptation (Singh et al; 2004).

Language adaptation can be seen to represent a very basic level of local adaptation (Grant & Bakrhu, 2004), yet its importance is demonstrated by the argument that the incorporation of local language improves the effectiveness of country specific websites (Singh et al; 2004). Singh et al. (2004) argue for localizing web-content beyond the local language. Further adaptation may include other factors, such as colors, icons, signs, web-site layout and symbols, which can be affected by cultural differences (Singh et al; 2004).

In the case of internet-based service firms a user must be able to participate in the service fulfillment process by navigating in the service provider's platform. The customer's abilities to use the platform can have major effects on the perceived quality of the platform and service itself. Therefore, in order to facilitate for the needed learning processes related to using the service and to encourage future use, companies can be

encouraged to go beyond a good web-site design and take into account different cultural factors as well as learning styles. (Rowley, 2006.)

Local web site adaptation applied by international internet-based firms has been suggested to demand for complementary organizational structures. The ability to service global online consumers in a localized manner demands for the appropriate balance of centralization, de-centralization, partnerships and networks (Singh et al; 2004). Also Grant and Bakhru (2004) argue that an increased need for local adaptation in terms of web site content results in the requirement for separate subsidiaries located within each national market.

2.4.4. Online internationalization strategies

Due to the global reach of the internet-based marketplace, the mere existence of a web site results in a degree of international and global presence (see figure 8). By launching a web-site a firm instantaneously enters the global marketplace (Kotha, Rindova & Rothaermel, 2001), and has, at least theoretically, the opportunities for practicing business globally. The so called *default online internationalization* is a result of launching a website, which attracts international consumers, and can, thus, be characterized as “accidental” or “un-avoided” (Yamin & Sinkovics, 2006).

Active online internationalization, on the other hand, involves the deliberate usage of information and communications technologies (ICT) in order to internationalize (Yamin & Sinkovics, 2006). Active online internationalization involves a significant effort targeted at entering foreign markets, and has, thus, been suggested as an alternative to the traditional foreign market entry modes (Pezderka & Sinkovics, 2011; Yamin & Sinkovics, 2006).

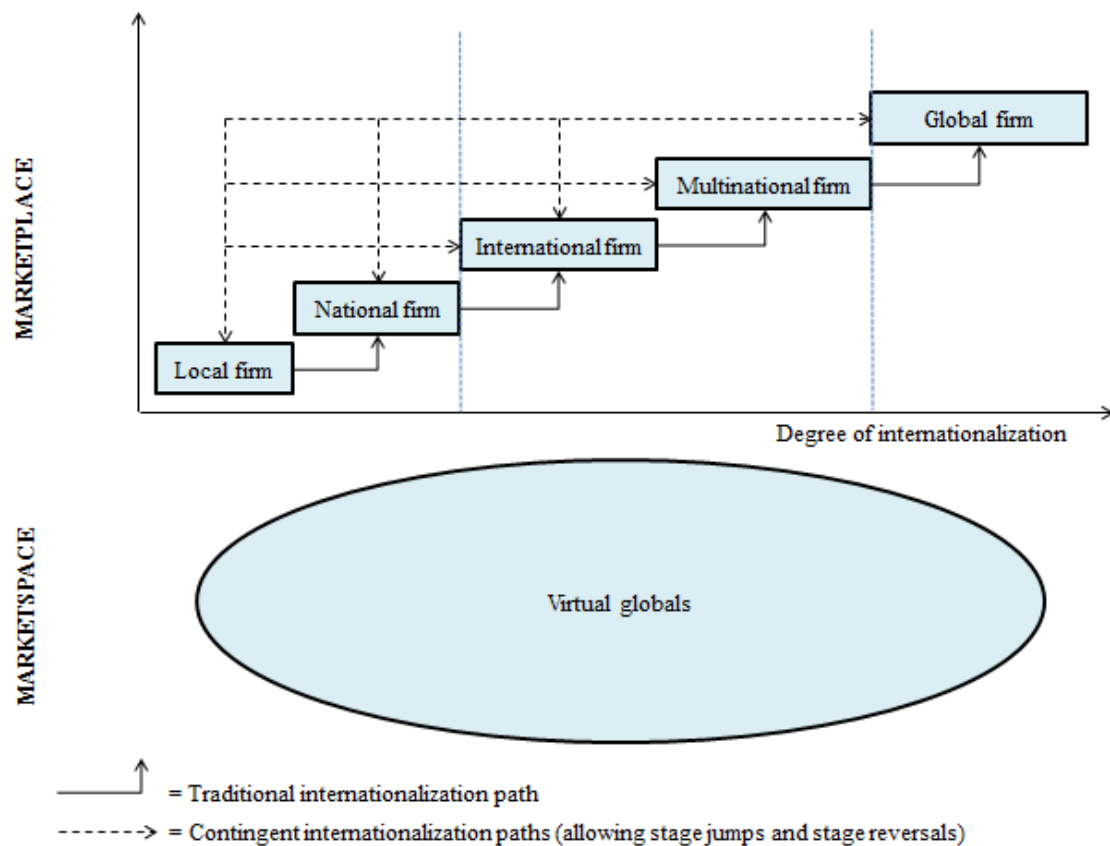


Figure 8. Marketplace vs. marketspace (adapted from Berry & Brock, 2004, 190).

When comparing active online internationalization with the more traditional entry modes, Yamin and Sinkovics (2006) accentuate the role and nature of local investments as a major difference. The two authors see active online internationalization (AOI) as a far more home-centered phenomenon than traditional internationalization:

“Relative to traditional internationalization, AOI is a ‘tightly coupled’ process as in effect most ‘subsidiaries’ (i.e. country-specific websites), are ‘located’ (i.e. designed and developed) in the ‘home’-country. Even if country-specific websites are created and managed by an existing subsidiary, it is clear that their ‘contents’ and the transaction information within them are fully transparent to and accessible by the parent (unlike

market specific knowledge gained by subsidiaries in traditional internationalization).” (Yamin & Sinkovics, 2006, 343.)

The above description of active online internationalization suggests that the international operations are likely to be dominated by the parent company located in the home country. The ability to digitalize most functions in a value chain offers a company with the possibility to operate internationally with minimal or no physical presence in the host market. However, the need for local resources and even local presence in the form of subsidiaries is increased by the degree of local adaptation applied in the international operations strategy (Grant & Bakhru, 2004). This may be the case even if the business model, the core product, and the production and distribution systems were fully digitalized and globally standardized (Grant & Bakhru, 2004).

According to Grant and Bakhru (2004) four main internet-based internationalization strategies are available (see figure 9). The strategies vary based on the degree of digitalization and national adaptation, and have their respective implications on the operational and organizational aspects of internationalization.

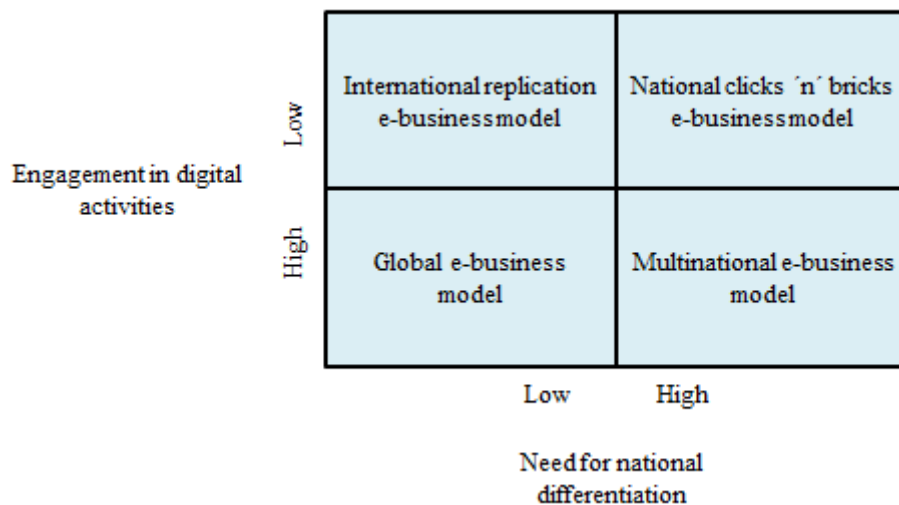


Figure 9. Digital versus differentiation matrix (Grant & Bakhru, 2004, 99).

2.4.5. Effects of online internationalization

The traditional process view of internationalization holds that firms proceed in international expansion in a fairly slow, stage-wise manner and target those countries first, which are closest in psychic or business distance. Literature regarding internationalization through the internet offer many suggestions towards the view that online internationalization may alter this traditional path.

Internet-mediated internationalization has been suggested to enable a faster route to international expansion, due to the internet's ability to decrease the effects of liability of foreignness and resource scarcity (Arenius et al; 2005). Liability of foreignness refers to such costs of doing business abroad, which would not be incurred by local companies and which result in a competitive disadvantage for the foreign entrant (Hymer, 1976 in Arenius et al; 2005). Resource scarcity, on the other hand, refers to problems in obtaining the needed resources for survival and performance (Barney, 1991; Peteraf, 1993 in Arenius et al. 2005) as well as successful internationalization (Oviatt &

McDougall, 1994 in Arenius et al; 2005). Arenius et al. (2005) found that the internet can simplify the internationalization path and the marketing organization structure needed in conducting business abroad.

When discussing the sequence of market entries in internationalization, Yamin and Sinkovics (2006) also propose that internet-mediation can speed up the process of internationalization. In the case of online internationalization, the sequence of entries into foreign markets can be much more time-compressed than in the traditional internationalization path, in which the time gap between market entries can be measured in years. Online internationalization is suggested to involve entry into several different foreign markets at once or in a very dense sequence. (Yamin & Sinkovics, 2006.)

The increased pace in online internationalization could be further encouraged by the presence of *network effects* and subsequent need for a first-mover position. The network effect refers to a market phenomenon in which the value of a product or service to its users depends on the number of consumers using it (Wang, Chen & Xie, 2010). The network effect as a phenomenon has been closely connected to many internet-based industries (Porter, 2001). Markets with network effects are suggested to be affected by a “winner-take-all” phenomenon (Wang et al; 2010), as the presence of network effects encourages early mover firms to amass users before competition appears (Eisenmann, 2006) and thus raise barriers to entry for other companies (Porter, 2001). This phenomenon can eventually make the order-of-entry a critical component of survival and success (Wang et al; 2010) and thereby lead to the dominance of one or two main actors in a market (Porter, 2001).

Yamin and Sinkovics (2006) argue that online internationalization can also reduce the perception of psychic distance. As interactivity between a firm and its customers operating in an online environment is expected to be relatively high, firms can utilize this experience to generate insights on customer preferences, behavior and the environmental basis of such behavior. Online experience is further argued to persuade

the firm that differences between home and foreign markets will not be major or persistent obstacles to learning about foreign markets. Thus, in the case of ‘e-commerce ready’ countries, online internationalization can engender a perception of reduced psychic distance. (Yamin & Sinkovics, 2006.) Also Berry and Brock (2004) argue in a similar manner that the internet can be used to overcome information barriers related to international expansion.

Overly accentuated reliance on online interaction as a source of knowledge may, however, lead to the false assumption that learning regarding foreign consumers also leads to learning about further market conditions. Especially in the case of a fully digital business model and absence of physical presence in the host market, firms will be deprived of onsite operational experience. Such firms will not directly experience the environment in which their customers are ‘embedded’ and will be less able to develop a full understanding of the host market conditions. (Yamin & Sinkovics, 2006.)

2.3. Servicing C2C markets

The development of Web 2.0 technologies, such as social media, blogs and wikis, has shifted the focus from content consumption to content creation in the internet. Private internet users now have the possibility to become a functioning and interactive part of the internet environment, and to produce content, which reflects their own experiences and perceptions. This development has also resulted in the emerging of new industries, C2C e-commerce being one of them.

2.3.1. Definition of C2C e-commerce

Electronic commerce has been referred to as the ultimate manifestation of the globalization of business (Grant & Bakrhu, 2004) and can be broadly defined as buying, selling, marketing or servicing of products, services and information via a variety of

computer networks (Luo et al; 2005). Consumer to consumer (C2C) e-commerce exchanges, on the other hand, involve transactions between and among private consumers (Rayport & Jaworski, 2002). In C2C e-commerce consumers offer the tradable content (merchandise such as clothing, books or furniture), while relying on the platform provider to facilitate for the environment in which the content can be displayed, discovered and paid for (Laudon & Traver, 2004).

Two basic activities take place between platform users: *economic exchanges* and *social interactions*. Economic exchanges involve the tangible and financial aspect of trading on a C2C platform. Social interactions, on the other hand, refer to the social actions and practices that two or more individuals engage in when acting on the platform. (Chen, Zhang & Xu, 2009.) The buyers and sellers on a C2C platform are usually unknown to one another, and the economic transactions are affected by a time-asymmetry yielding from non-simultaneous payment and delivery. In addition to this, user authentication and product guarantees represent another source of risk for C2C platform users. On the other hand, C2C platforms offer consumers with the advantages of being able to influence the economic terms of the transactions and attaining merchandise, which may not be available through other channels. (Rauniar, Rawski, Crumbly & Simms, 2009.)

Platform providers generate revenue by charging fees on the economic transactions conducted via the platform, and by offering additional services (Rauniar et al; 2009). The providers can experience fierce competition, as internet-based platforms are easily emulated and customer switching costs are in essence non-existent. Platform providers do not hold their own stock of merchandise, but rather service the consumers using the platform by acting as an intermediary. Platform providers are, thus, extremely dependent on content created by users and on users' social networks, which can be seen as the providers' core competitive resources. (Chen et al; 2009.)

Furthermore, creating a positive relationship with the users can be seen to represent a key strategic challenge for platform providers, because users' interaction and

involvement with the content of a platform can create a cycle of success. When users are attracted by the content on a platform they are encouraged to create more content, which, on the other hand, enhances the value of the platform and draws new users to become involved. (Spalter, 1995.) C2C platforms are thus affected by network effects. This results in the key concern of attracting users as well as achieving and maintaining their loyalty (Chen et al; 2009).

2.3.2. A service-dominant logic to value creation

The main role of a C2C platform provider can be suggested to be the creation, maintenance and development of such a platform environment, which supports and encourages users to engage in economic exchanges and social interaction with one another. In order for both parties, the provider and the users, to benefit from the relationship, value must be co-created (Vargo, Maglio & Akaka, 2008). A C2C platform can be seen to follow a *service-dominant logic*. The basic underlying assumption of the service-dominant logic is that firms facilitate processes that support customers' value creation. Customers are involved in these interactive processes both as resources and as beneficiaries (consumers). (Grönroos, 2007.) Continuing, the service-dominant logic holds that all exchanges are in essence based on services, and that value is co-created through the combined efforts of firms, customers and other stakeholders, and ultimately assessed by the beneficiaries (Vargo et al; 2008).

Following this logic, C2C platform providers are involved in a process of integrating resources rather than producing units of output. The providers rely not only on their own resources, but also on those of others, resulting in an interdependent relationship. (Vargo et al; 2008.) Table 1 summarizes the core assumptions of a service-dominant logic and compares it with its counterpart, the goods-dominants logic.

	Service logic	Goods logic
Nature of the offering	Value-supporting process.	Value-supporting resource.
Perspective	A process where a set of resources interact with customers, aimed at supporting their processes in a value-creating way.	A resource which the customers use, possibly together with other resources, with the purpose of creating value for themselves.
Business logic	To facilitate processes that support customers' value creation.	To make goods as resources available to customers for their use.
Customer's role	Co-producer and co-creator of value.	Sole creator of value.
Firm's role	Provide a service process and co-produce and co-create value in customers' consumption process.	Provide customers with goods as a resource and sole producer of this resource.

Table 1. Service logic versus goods logic (Grönroos, 2007, 56).

2.3.3. User generated content

User generated content (UGC) generally refers to reviews, posts and other content created by the users of a web-site, and has also been described as the modern version of the word of mouth (Williams, van der Wiele & van Iwaarden, 2010). Although the focus of many previous studies seems to have been on UGC as a source of customer reviews and comments, UGC can also be seen to account for such tradable content, which users acting on a C2C platform create.

A C2C platform can be theoretically seen as a two-sided marketplace, with content contributors (sellers) and content consumers (buyers) acting as the two sides of the market (Zhang, Evgeniou, Padmanabhan & Richard, 2011). A C2C platform provider is

dependent on both content contributors and content consumers, because one cannot exist without the other. In addition to this, the volume of the users becomes a critical issue due to the network effects. Therefore, in order to be successful a C2C platform provider must be able to attract and retain a sufficient number of both buyers and sellers.

Zhang et al. (2011) argue that in a C2C platform context the value of contributors is revealed through their network effects on both content consumers and other content contributors. The presence of additional content consumers is suggested to similarly benefit the content contributors (Zhang et al; 2011). The dependence on both ends in a two-sided market results in the C2C platform provider's dilemma of which side of the market to target first. A vector autoregressive model measuring the financial values of the retention and acquisition of both content contributors and content consumers was conducted in a study by Zhang et al. (2011). The study suggested that the acquisition of content contributors (new sellers) offers most cumulative financial value. Seller acquisition is followed by buyer acquisition, seller retention and finally buyer retention. Although the generalization of these findings may require further empirical verification, the study accentuates the core challenge of C2C platform providers.

As discussed in the previous section, C2C platforms can be seen to follow a logic of value co-creation between the provider and user, which, on the other hand, suggests a relationship based on mutual benefits. However, the role of user generated content in the financial performance of a platform provider can be suggested to shift the ultimate bargaining power towards the user. This is further strengthened by low customer switching costs and increased competition among internet-based platform providers (Porter, 2001).

2.3.4. User loyalty towards C2C platform providers

Due to the C2C platform provider's high dependency on its users, user loyalty to the platform becomes a critical issue. User loyalty to a C2C platform provider can be seen as the users' intention to do more business on the platform and to recommend it forward to other potential users (Chen et al; 2009). User loyalty has been found to be enhanced by social interaction between the users and the firm in a B2C setting (Jang, Olfman, Ko, Koh & Kim, 2008). However, in a C2C environment a large share of social interaction takes place between the users, rather than between users and the platform provider (Chen et al; 2009).

Chen et al. (2009) argue that mutual trust between users engaging in social interaction, both informational and emotional, in a C2C platform can be transferred to users' trust in the platform provider. Social interactions are argued to be more central in trust building than economic transactions. The authors further argue that trust in the platform provider increases user loyalty towards the platform (see figure 10). Based on this it is argued that platform providers should not view the communal side of their platforms as merely a supplementary feature to economic transactions. As a result, the interactivity should be considered when designing the platform, and providers should leverage from users' interaction in order to achieve economic objectives. (Chen et al; 2009.)

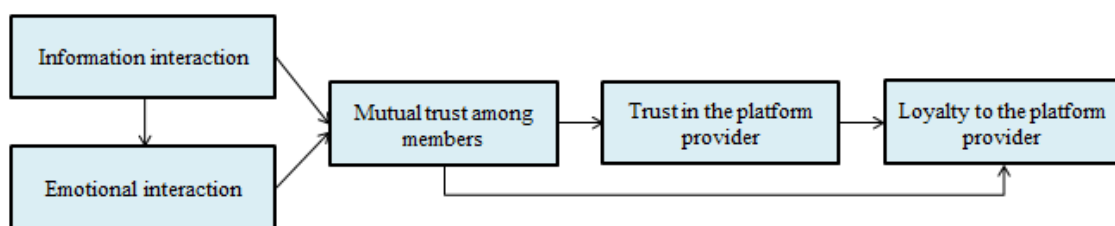


Figure 10. Trust and loyalty (adapted from Chen et al; 2009, 155).

Another factor found to influence the attitudes of C2C platform users is risk (Leonard, 2012). While trust could be defined as the belief that another person (user) will behave

in a socially responsible manner, fulfill expectations and not take advantage of vulnerabilities (McKnight, Choudhury & Kacmar, 2002; Pavlou, 2003, in Leonard, 2012), risk in this context entails a user's perceived risks in an economic transaction (Pavlou, 2003, in Leonard, 2012). While it is clear that trust and risk are interlined concepts, Leonard (2012) found that the two have differing influences on users' perception regarding buying and selling. Leonard's survey study found that a buyer's attitude is influenced by both trust and perceived risk towards the seller. Perhaps more surprisingly, the study also revealed that sellers' attitude towards selling seems unaffected by risks. This could be a result of the nature of economic transactions, as sellers are usually secured through the payment procedures provided by the platform provider. (Leonard, 2012.)

These findings suggest that users' attitudes are affected by their experiences as either buyers or sellers or as both (Leonard, 2012). It could be also argued that the attitudes of sellers are more easily influenced by the provision of high-quality payment systems and other support, while the attitudes of buyers can be less controllable due to being more dependent on experiences with sellers.

2.5. Chapter summary

The traditional, stages view on firm internationalization regards international expansion as a relatively slow, step-wise process, in which firms gradually move from lower risk ventures to more committed and integrated modes. Operations are initiated with less complex products in countries of low psychic distance. Eventually, as experience and learning increases, firms move to further countries and employ more complex products. Services internationalization, on the other hand, has been viewed as a similar process, in which the foreign entry modes are dependent on the nature of the services offered.

The academic literature reviewed in this chapter suggests that internet-based businesses can enjoy a faster and simpler route to internationalization. The internet offers a mode of international expansion, which can demand for fewer resources and offer lowered risks. The internet also enables the access to a global marketplace, in which the sequence of market entries can become more time-compressed. At its purest form, an internet-based business model can be expanded internationally with minimal local adaptation, home-country based management and fully digitalized value chain functions. Therefore, in theory the internet has the potential to dramatically simplify the traditional internationalization path. However, in practice most companies must employ a configuration of traditional and internet-based value chain components as well as a degree of local adaptation.

C2C e-commerce was defined in this chapter as trading conducted by and between private people over the internet. C2C platform providers provide the infrastructure and related services for these traders, and gain profit through charging a fee for their intermediary services. The academic literature reviewed suggests that C2C platform providers are extremely dependent on user generated content and following network effects. In order to facilitate for a mutually beneficial and long lasting relationship, platform providers must view their users as value co-creators rather than value consumers, and thus emphasize the possibilities created by the interactive web 2.0 technologies. Especially the facilitation of social interaction between users as well as the platform provider was argued to being essential in gaining and maintaining loyalty towards a platform provider.

With limited existing literature regarding the internationalization process of such C2C platform providers, only speculations of the matter can be provided at this stage of this thesis. However, drawing from the literature reviewed, it could be hypothesized that the very nature of C2C platform services demands for at least some user-focused and localized solutions. As a result, C2C platform providers could be suggested to be restrained from the completely globalized internationalization strategy, in which a

standardized platform is re-produced in all countries of operation and all functions are performed in a digitalized manner. The influence of the C2C service strategy on internationalization will be further examined in the empirical part of this thesis.

Figure 11 synthesizes the main theoretical concepts discussed in this chapter into a suggestive model of the “COM-profile” of an internationalizing C2C platform provider. The COM-profile includes the three strategic components of the POM-model, except the “product” -component is substituted by “concept”, as this conceptualizes the services offering of a C2C platform provider in a more suitable manner. By looking at the model, one can detect which kind of an internationalization strategy a C2C platform provider may pursue based on the literature reviewed in this chapter.

The model does not consider the direction to which a C2C platform provider is likely to develop over time in regards to the COM-components. The effects of the C2C strategy are especially visible in the “concept” component, yet it indirectly affects the other components as well. The model also visualizes the two dominant environments in which a C2C platform provider operates – the physical, real world marketplace and the digital marketplace.



Figure 11. Theory synthesis – the “COM-profile” of an internationalizing C2C platform provider.

3. Methodology

In this chapter the methodological approach used in the empirical part of this thesis is presented and its use is justified. The chapter also reports the data collection and analysis methods and discusses the validation as well as the limitations of the study.

3.1. The research method

3.1.1. The qualitative case study approach

This thesis study is conducted based on a qualitative single case study design. Case study has been defined by Piekkari, Welch and Paavilainen (2009, 569) as:

“A research strategy that examines, through the use of a variety of data sources, a phenomenon in its naturalistic context, with the purpose of ‘confronting’ theory with the empirical world.”

The selected approach is appropriate for this piece of work because the aim is to understand a phenomenon taking place in a specific context, and to reveal how and why the observed situation has emerged. Rather than producing statistically generalizable rules, the aim is to offer a rich and deep description of the case and a possibility for context contingent generalizability.

Although case study as a research method has traditionally been viewed as mainly a theory building tool (Eisenhardt, 1989), an alternative view recognizes case study as a valid methodology for also other objectives, such as theory refinement and testing (Welch, Piekkari, Plakoyiannaki & Paavilainen-Maäntymäki, 2011). In this thesis a traditional theoretical model is used as a guiding and supportive framework, but it is not

intended to be tested *per se*. Further academic literature is reviewed with the intention of forming an understanding of the context and scope of the study. With the research focus of this thesis currently being rather under-researched, the literature review is then complemented with the empirical findings. The theoretical outcome of this thesis could, thus, be labeled as suggestive theory building, which primarily offers a basis for further research.

Although the aim of this thesis is to provide meaningful insights into a specific issue, internationalization, the case study nevertheless takes on a rather intrinsic form. In intrinsic case studies the case itself represents a major interest to the researcher, rather than serving as merely a source of data for an external research interest. Therefore, this study can be seen as a rather subjective enquiry, in which the researcher acknowledges and accepts that the outcomes are to an extent impacted by the researcher's subjective understanding of the situation and phenomenon.

3.1.2. Unit of analysis and case selection

Stake (2005) argues that case study is not a methodological choice *per se*, but actually a choice of what is being studied. This view in effect equates the unit of analysis with the case (Fletcher & Plakoyiannaki, 2011). In this thesis study the unit of analysis is the case organization and its process of internationalization. The unit of analysis can, therefore, be connected with both social and temporal characteristics. More specifically, the unit of analysis entails the entire case company, which operates in four countries. Due to the legal and organizational arrangement, however, the case is concentrated around a few key informants.

In this thesis the case selection has evolved from a rather organic path. The author of this thesis first saw the possibilities for an interesting case study when she became employed by the case company. At the time, the specific focus or business phenomenon

was not fully clarified yet. The final focus became clear, as the author further familiarized herself with the case company's international operations and the existing academic literature concerning internationalization of internet-based businesses as well as C2C markets. Having learned that the area of C2C platform internationalization is currently somewhat under-researched, yet an emerging interest, the author saw that the case would also serve as a "window" to an interesting business phenomenon.

The case selection in this thesis can, thus, be seen as somewhat convenience based. According to Fletcher & Plakoyiannaki (2011), convenience sampling can lead to information and credibility issues. This was considered in the course of the thesis process, and for instance the inclusion of additional case companies in order to enhance credibility was considered. However, a careful consideration lead to the conclusion that a single case study serves the purpose of this thesis well and the inclusion of multiple cases would, thus, be artificial.

3.1.3. Data collection

The empirical data in this thesis was collected by using several methods. The usage of various different sources of data is, in fact, typical for case study (Piekkari et al; 2009). A summary of the data sources used in this thesis can be found in table 2.

The author of this thesis was able to establish a basic understanding of the case company's operations through her project-based employment with the company. However, no formal records of the early discussions were kept. Because of this, the information acquired through the unrecorded informal discussions is not used as empirical data in this thesis.

Yet it should be recognized that this prior involvement with the company naturally affects the author's overall understanding of the case, and might thereby impact the

analysis of the actual data. Nevertheless, this is not seen as a negative bias, because subjectivity is not being avoided in this research. The subjective view is actually seen as an asset – the author’s involvement in the case company’s operations yields much more in-depth data than could be acquired by using formal interviews only.

After the start of the thesis project, many similar informal discussions were held between the author and the representatives of the case company. At this stage, formal records of these discussions were kept in the form of meeting memos, which were written by the author after each discussion. These meeting memos summarize the central issues covered during the conversations. Issues unrelated to this thesis study, such as daily tasks and schedules, were left out.

Empirical data was also collected through formal semi-structured interviews. The interviewees were selected based on their level of involvement in the company’s international operations, as well as based on their willingness to participate in this study. Because of the size of the Trendsales subsidiary in Finland, the number of possible interviewees was very limited. The Finnish organization consists of only three members (excluding the author): the two co-owners, Magdalena Pawlowicz and Soren Skovdahl, and a marketing coordinator, Päivi Lindroos. The co-owner’s contribution as data sources is viewed as extremely relevant and valid, because these two people are in charge of the Finnish operations. The marketing coordinator’s contribution, however, can be seen as somewhat limited, because of the short duration of her employment with the company.

In addition to these three interviewees, two members of the Denmark based Trendsales organization were interviewed: the co-founder and current CEO of Trendsales ApS, Bo Eriksen, and the current CFO, Rasmus Goth Engel. Mr. Eriksen is an extremely important informant for this study not only because of his role at Trendsales Denmark, but also because he is in charge of the operations in Sweden and Norway. Mr. Eriksen will also manage the future expansion to further foreign markets. Both of these

informants are also closely involved in the Finnish operations through Trendsales ApS's majority share ownership.

The interviews with the before mentioned five people were conducted in a non-structured manner. In order to provide with some background information and use the available time in the most effective manner the interviewees were provided with a short description of the area to be discussed prior to the interviews. This non-structured approach led to each respondent emphasizing some themes over others, and discussing the area through their own personal perspectives and experiences. By using the selected approach the most in-depth and rich data was expected to become available. Additionally, a non-structured approach was selected, because of the respondents' differing backgrounds and roles. An interview check list (appendix 1) was used by the interviewer as supportive material. However, the checklist was not used for presenting specific questions, but rather for assuring that the most important themes would be covered.

Because of location issues, two of the five interviews could be held face-to-face, two were conducted by using Skype, and one over the phone. The interviews lasted on average one hour each and were recorded. Written transcripts of the recordings were done after each interview session. Four interviews were held in English due to the lack of a common native language.

In addition to this primary data acquired through discussions and interviews, secondary data from a previous thesis project concerning the same case company was used. The access to this secondary material was gained directly from the thesis' author. The material used includes the transcripts of two interviews conducted with Trendsales' representatives. The usage of this secondary data is justified because the information retrieved from it mostly includes factual data, which has not outdated.

Informant	Magdalena Pawlowicz	Soren Skovdahl	Bo Eriksen	Rasmus Goth Engel	Päivi Lindroos
Meetings (primary)	Yes	No	No	No	No
Time	25.1.2012; 29.2.2012; 14.3.2012; 11.4.2012; 10.5.2012	-	-	-	-
Medium	Face-to-face in English	-	-	-	-
Data code	M1 – M5	-	-	-	-
Interviews (primary)	Yes	Yes	Yes	Yes	Yes
Time	31.5.2012	21.5.2012	22.5.2012	23.5.2012	31.5.2012
Medium	Face-to-face in English	Skype in English	Skype in English	Phone call in English	Face-to-face in Finnish
Data code	R1	R2	R3	R4	R5
Interviews (secondary)	Yes	No	Yes	No	No
Original time	29.7.2010	-	13.6.2010; 20.9.2010	-	-
Data code	S1	-	S2, S3	-	-

Table 2. Data sources and codes.

3.1.4. Data analysis and interpretation

The empirical data retrieved from the interviews was analyzed by using thematic content analysis. The themes found in the interview guideline were used as higher-level codes when processing the transcripts. Additional coding was done based on the themes, which naturally arose from the data. The meeting memos were analyzed in a similar manner. The secondary data was mostly used as supporting material, which is why it was not analyzed with a specific technique.

The aim of the data analysis and interpretation was to reveal underlying factors, relationships and events explaining the studied phenomenon. The interpretation was done with those themes in mind, which arose from the literature review and were used in the interview guideline. However, new themes emerging from the empirical data were regarded as extremely valuable, because those themes were seen to add particular value to this study.

3.1.5. Ethical issues

A major ethical consideration in this thesis study arises from the close relationship that the researcher has with the case company. As said earlier, some of the data has been collected through rather informal discussions, which have been recorded from the author's perspective after the conversation. As noted by Patton (2002), the participants in an informal conversational interview may not even realize that they are being interviewed. In order to avoid the usage of any confidential or sensitive information and to protect the interviewees, permission has been acquired for the usage of all data. All the respondents were also asked to allow the recording of the interview.

3.2. Evaluation of the study

3.2.1. Validation of the study

The quality of this thesis study is assessed by using a set of tests – namely construct validity, internal validity, external validity and reliability. In terms of construct reliability, which refers to the correctness of the measures for the concepts being studied (Yin, 2003), this study ranks high. The data is gathered from multiple sources, and a chain of evidence is established through a case description, interview recordings and transcripts, interview notes as well as recorded meeting memos. In addition to this construct reliability is increased by allowing the main informants of the study to review the final paper.

Internal validity measures the causal relationship between conditions and results (Yin, 2003). In this thesis one of the main objectives is to form an understanding of how the particular situation has evolved. The possible causal mechanisms revealed through this study are, however, expected to be dependent of the context of the case, following Welch et al.'s (2011) argument of causality being both conjunctural and multiple in nature. By conjunctural the authors mean that a single variable may have a different impact depending on the configuration of variables present in the case. The multiple nature refers to the suggestion that the same outcome may be produced by different causal pathways. In this logic, the internal validity in this thesis can be regarded as relatively high given that the context contingency is acknowledged.

External validity in a study is enhanced by identifying the domain to which the study's findings can be generalized (Yin, 2003). As noted earlier, the aim of this study is not to produce statistically generalizable findings. The degree of external validity of this study can, thus, be assessed to be context contingent and therefore modest.

The degree of reliability in this study can be rated as medium high. Reliability refers to the ability to arrive in the same results if the study is completed again by repeating the operations of the study (Yin, 2003). In practice this means the careful and detailed

documentation of the operations of the study. In this thesis reliability has been assured by providing all the interviewees with the same information prior to the interview, by using the same interview check-list when conducting interviews and by transcribing the interviews. Reliability is further increased by reporting the interview settings. However, as no pre-determined questions were used in the interviews, a replication of the study would require very carefully conducted interviews in order to cover the same topics. Also, since some of the data is acquired from informal conversations, acquiring similar data again might be difficult.

3.2.2. Limitations of the study

There are a few limitations arising from methodology used in this study. The absence of formal records of some informal conversations reduces the total amount of empirical data. Another limitation concerns the availability of the different data sources. As all informal meetings were held with Ms. Pawlowicz, her contribution as an informant is emphasized over the other informants. On the contrary, the data retrieved from the fifth respondent, Päivi Lindroos, proved to be very limited. Due to Mrs. Lindroos's role in the Finnish organization and her rather short history with the company, the interview with her concentrated only on a selected number of themes.

The formal interviews were held in a non-structured manner, which allowed the respondents to discuss the themes freely, resulting in very differing conversations. Therefore, the complete comparison of the respondents' views is not possible in all areas of the study. However, together the interviews build a rich and multiseded description of the case company and its internationalization, which why the differing emphases of the interviews are not regarded as a severe limitation. Due to technical problems with Skype during the interview with Mr. Goth Engel, the interview had to be conducted over the phone. As recording the call was not possible, this respondent's direct quotes could not be used in the Empirical findings -chapter. However, the

interviewer kept notes during the call and re-wrote them immediately after, making referencing to this interview possible.

Four out of five people interviewed for this study are Danish. Although the cultural differences between Denmark and Finland could be assumed to be relatively small, more attention could have been put on cross-cultural issues. The reason not to look into the cultural issues in more detail came from resource constraints.

This thesis project was completed in a time period of six months. Although the schedule was not considered as a limitation in other ways, it can be seen to affect the overall outcomes. As said earlier, research on the internationalization process of firms could easily require a time period of several years, which is why the findings of this study are limited to the relatively narrow snap-shot of the case company's situation. Although this limitation needs to be acknowledged, it is not being accentuated, because the objective of this thesis is not to produce longitudinal data.

A final limitation arising from the context of this case study is the setting of the boundaries for the unit of analysis. The boundaries for this study were set with the thought of a holistic view in mind, yet it is acknowledged that the unit of analysis could have been specified in more detail. The focus could have been on, for instance, only one strategic component of the POM-model. In this way the study could have been able to produce more specific suggestions for theory building purposes.

4. Case description

In this chapter the case is presented by describing the history, operations and current situation of the case company Trendsales. The information used in the chapter is to a large extent retrieved from the secondary data acquired for this thesis. Some information also bases on the primary data. The data sources are referred to within the text by using the data codes presented in table 2.

4.1. Trendsales ApS

Trendsales ApS was founded in 2002 by Bo Eriksen and Martin Andersen in Denmark. Initially the company operated on a B2C basis by selling unknown designers' fashions to consumers over the internet. However, with time the company moved towards a C2C focus by including a "bazaar" area onto the web site, which enabled users to trade second hand fashion with one another. (S2.)

With the C2C form of trading developing, the founders of Trendsales realized that a niche had been created. It was clear that the users were more interested in trading fashion with one other, which led to the emphasis of the communicational aspect on the site. Consequently, the direct dialog between users has become the trademark of Trendsales. (S2.)

Resulting from the addition of the bazaar area, early-adopters began to spread the word about Trendsales. In fact, Trendsales engaged in very little paid advertising, as the word-of-mouth effect led to sign-ups of users as well as media attention. (S2.) A five minute coverage on a consumer targeted TV-show aired in early year 2005 and led to a significant increase in visitors (S3). The early-adopters were followed by "common followers" contributing to the achievement of a critical mass in users (S2).

The Trendsales business model is rooted in the communicational and interactive side of the platform (S2). While the company originally started with a basic open discussion forum (S3), additional features have been added later on (S1, S2). The company applies a “freemium” model, which enables users to choose between free basic services and chargeable premium options (S2). The majority (55 %) of revenues is generated from a fee charged upon the trading transaction (R3). The integrated payment system offers users with a reliable and safe way to trade (S2). In addition to the payment related services, Trendsales generates revenue from VIP-memberships (25%), listing promotions (10%) and banner advertising (10%) (R3).

Today the trendsales.dk web site engages over 600 000 registered users and lists almost 750 000 active sales ads (Trendsales, 2012a). The company is Denmark’s biggest second hand platform and targets private users, women between the ages 18 to 32, as its main target group. About 20% of all users are men. (Trendsales, 2012b.) The web site is also open for business users, who have become increasingly interested in the site due to its ability to attract high numbers of potential buyers (R3). Therefore, although Trendsales primarily services a C2C market, it also enables B2C trading to take place. A shop area targeting businesses as sellers is currently under construction and will be added onto the Danish site in order to better service the business users (R1, R2).

Trendsales ApS is owned by Mets ApS and QXL ricardo Group. The co-founder Bo Eriksen is the current CEO of the company. The company employs about 50 people and is stationed in Copenhagen, Denmark. (Trendsales, 2012b.)

4.2. Trendsales Finland Oy

In 2009 two investors, Magdalena Pawlowicz and Soren Skovdahl, approached the owners of Trendsales ApS, as they were looking for a business idea to invest in in the

Finnish market. Ms. Pawlowicz had relocated from Denmark to Finland due to personal reasons and wanted to find a venture combining her interest in fashion and technology. She also saw that the internet was ever increasing in importance and felt that investing in an online business concept would be the correct decision. (R1.)

The negotiations initiated in 2009 were followed by the establishment of Trendsales Finland Oy in the same year. The entry into the Finnish market was prepared for by acquiring some general statistics and market related information (R2). A form of basic market research was also done, but it did not provide with convincing findings, due to consumers' unfamiliarity with the Trendsales concept (S1).

The trendsales.fi web site went live in June 2010 (R1), after being delayed by problems with acquiring the necessary payment related permissions from the Finnish Financial Supervisory Authority (R1). Due to technical issues the Finnish site had to be separated from the Danish platform and copied as an independent technical system (M3). Although a global platform system was under construction, Ms. Pawlowicz and Mr. Skovdahl decided not to wait for its completion, as they wanted to proceed with the market entry as quickly as possible. Ms. Pawlowicz and Mr. Skovdahl saw an opportunity in the Finnish market, as there weren't any fashion related C2C platforms existing, and wanted to secure a first mover position. (R1.)

After the official launch of the Finnish web site in June 2010, marketing activities concentrated in the utilization of the internet and especially the social media. Trendsales was especially interested in collaborating with bloggers and producing some blogging activity of its own. Additionally, the company began to build its reputation by launching some competition-based campaigns, and by acquiring media attention by providing press releases. (S1.) However, some of the campaigns ended up with disappointing results (R1) and additional problems were created by the technical side of operations. Re-occurring technical problems with the site took attention and especially resources away from the marketing activities. The issues were further enhanced by the separation

from the Danish platform, as corrections and updates conducted on the Danish site did not automatically convert to the Finnish platform. (R1.)

Unlike its Danish counterpart, Trendsales Finland began to target also business users from the start. The initial reaction among retailers was, however, somewhat negative, which was suspected to result from not having a sufficient amount of registered private users. (S1). Today Trendsales Finland offers customized services directed at business users, but attracting retailers has still been challenging (R5).

The Finnish Trendsales web site is completely localized in terms of language and content. Due to the separation from the Danish platform, the Finnish site displays only those sales ads, which are uploaded by the Finnish users. A localized payment system is also established. The Finnish site differs from the Danish one also in terms of available features. While the Danish site offers its users with a magazine area containing discussions, blogs and articles (Trendsales, 2012c), the Finnish site does not support the feature (R1). The two sites differ to some extent in their design and layout, which is also caused by the technical separation (R4).

Compared to the Danish site, the user base of Trendsales Finland has developed slowly. While the trendsales.dk web site attracted over 20 000 users in its second year in operation (Tynkky, 2010), the trendsales.fi site has attracted about 2 200 registered users during its first years in operation (R2). While Trendsales has proven to be a successful concept in Denmark, the Finnish operations remain challenging.

“When you reach some kind of a maturity level then your brand is suddenly connected in various stories without you having to push things. I would say that it takes time and it takes some luck and it takes that you can create success stories. In Finland we now have the challenges because Finland hasn’t been the success that we hoped.” – B. Eriksen.

The other co-owner of Trendsales Finland, M. Skovdahl, suspects that this has to do with the differences in the business environments:

“I think that before you start the internationalization of your web site you need to figure out what is going to create the success... And, what was the turning point and can we re-create the turning point again, or do we need to find a new turning point when we go out seven years later in another market. It is not because it is another market, it because it is a new era. Different rules, different competition.” – S. Skovdahl.

Along with the two co-owners, Ms. Pawlowicz and Mr. Skovdahl, Trendsales Finland currently employs one full-time staff, who concentrates on marketing activities. Fifty one percent of the Finnish subsidiary is owned by Trendsales ApS and the remaining shares are split between Ms. Pawlowicz and Mr. Skovdahl. The operations are primarily led by Ms. Pawlowicz and Mr. Skovdahl, but the CEO of Trendsales ApS along with the Denmark-based staff is also involved. (R3.) Ms. Pawlowicz and the Finnish Marketing Coordinator are located in Finland, while Mr. Skovdahl works from the distance (R2, R3).

4.3. Operations in Sweden and Norway

According to the CEO Bo Eriksen, the internationalization of Trendsales ApS has been a result of a natural development.

“I think that is a natural next step when you reach some kind of a maturity level in the start-up country...So it has been a natural step for us to try and move to other Scandinavian countries and try to expand to new markets...I think it’s just a normal economic sense, especially if you have

the resources and if you can see the opportunities in the new markets.” – B. Eriksen.

The ambition to internationalize has been further amplified by Ms. Pawlowicz’s and Mr. Skovdahl’s involvement and by the acquisition of Trendsales ApS’s majority shares by the Swiss investor QXL ricardo Group (R1, R2).

Along with Finland, Trendsales has also opened country specific web sites in Sweden and Norway during the fall of 2011 (R2) and the operations are in a starting phase (R3). Mr. Erksen describes the situation in the following way:

“Actually we don’t have too much experience with that (international expansion to Sweden and Norway) yet, because as for now we are not that focused with offering our own services. Actually we are now more focused in building up content because still Sweden and Norway are small units and right now our goal is not to start generating revenue from Norway and Sweden, it is just to build out content. So we don’t want to push any of our services.” – B. Eriksen

The strategy employed in these two countries differs from that of Finland, because the Swedish and Norwegian sites are directly linked to the Danish platform. While the sites are translated in language, the content consists mainly of listings posted originally onto the Danish site. (S1, R1, R2, R3.)

The operations in the Swedish and Norwegian markets are led by the CEO of Trendsales ApS and the staff located in Denmark (R3). Thus, rather than being separate subsidiaries, the Swedish and Norwegian sites are managed in a centralized manner. The differences in strategy and organizational structure are explained by the fact that the Swedish and Norwegian sites were launched after the global platform was completed in a technical sense. (R1, R3.)

5. Empirical findings

In this chapter the empirical findings will be presented and discussed. The chapter is structured based on the themes that arose from the interviews and from other sources of data. The data sources are referred to in the text by using the codes presented in table 2.

Figure 12 on page 67 summarizes the themes arising from the empirical data. The themes are presented in a network structure, in which the POM-components are used as the highest level themes. However, again “products” has been replaced by “concept”, as the case company does not offer a tangible product but rather a service concept. The themes will be discussed in more detail in this chapter.

5.1. The concept

The empirical data gathered for this thesis revealed that the underlying business model and concept of Trendsales affects its internationalization in many ways. In this section the themes, which together form a view of the business concept, are presented.

5.1.1. The C2C market

Users, UGC and communication:

The central role of users and the company’s dependence on them was a re-occurring theme throughout the interviews and informal meetings. In fact, this theme appeared to be accentuated in importance by all respondents, because activating local users to sign-up and create content in new markets has proven to be difficult. The issue was described by four respondents (R1, R2, R3, R4) as the problem of the “*hen or the egg.*” The

idiom refers to the yet unresolved questions of whether the content creators or content consumers should be present on the site first in order for the trading activity to begin.

“It is a bit like the “hen and the egg” – it is very difficult to attract new buyers in a market if you don’t have anything on the shelves. On the other hand it is very difficult to attract sellers if you don’t have any buyers.” – B. Erksen.

“With a trading platform for second hand items, it is always the tricky part of having enough items so that it is attractive to go look and upload your items.” – S. Skovdahl.

The dependence on users and content created by them reflects upon the internationalization potential of the C2C platform concept:

“Looking at our concept, it is very hard for us to build up a new market, because our main target group is private people...We are very dependent on other people to build content for us. So how do you motivate target persons to build up content? That is very difficult.” –B. Eriksen.

When discussing this issue further the global platform technology was seen as one way to approach the challenge. The technology enables the sales ads to be shared and viewed in all countries of operation, and thereby to be used as the initial content in new country specific sites (R3). Therefore, the global platform also supports cross-border trading (R1, R2, R3) and communications (R3). The role of communication was mentioned by many of the respondents, yet its importance was assessed differently. While two respondents described the role of communication as very important and vital from Trendsales’ success (R1, R3, S2, S3), another respondent did not completely agree:

“Bo knows more about his, but I don’t think that the discussion forum on Trendsales is the major activity on the platform. The major activity, in my opinion, is about the items that are being sold. I think the other one (discussion forum) is just an add-on or supplement.” – S. Skovdahl

One respondent suggested that potential sellers and buyers should be targeted in equal efforts in the time following the platform launch. After a sufficient amount of users have joined the buyers should become the main target for marketing effort, because buying is the basis of economic transactions on the site. (R1.) This respondent accentuated the importance of understanding the life-cycle of operations in other areas of marketing activity as well. In her view in the start-up phase emphasis should be put on innovative and less expensive marketing media, and only later on a move should be made towards more traditional media. (M5.)

Critical mass:

The data shows that a critical mass must be achieved in the number of users and sales ads in order to facilitate for the emerging of network effects (R1, R2, R5, M3). Increasing the number of ads in order to create more traffic and trading on the site was one of the main objectives when the strategy of the Finnish subsidiary was changed in early spring 2012 (M2). During the interviews the issue was described in the following way:

“I don’t think the number of users is necessarily the critical thing. You can have silent users and active users. I think the issue here is the amount of ads. Now we think that we probably need about ten thousand. If this really is the correct number or not, I don’t know.” – S. Skovdahl.

*“We are not there yet, because when you get that (viral effect) then you have this (*shows an explosion with her hands*). But we don’t have that amount of people... We don’t know how many it will be for the critical mass.” – M. Pawlowicz.*

Since the strategy change the Finnish market has been attempted to be activated by launching campaigns, which encourage private users to sign-up and create sales ads (M2, M4), and by engaging in affiliate marketing (R1). These efforts seem to be showing some results.

“We have gotten this affiliate going and we are seeing growth. We are seeing much more traffic, we are seeing much more growth and we are getting much more ads. We have found the key to getting the ads there. But we still need bigger growth... I would say that we need every day to have 20, 30 or 40 people signing up... We are now between 5 and 10 signing up every day, which is good. But it is not good enough.” – M. Pawlowicz.

Loss of control and the correct type of content:

The C2C –based concept was said to result in a loss of control in some areas of operations. As sellers usually handle the shipping of sold items, Trendsales is not able to control the speed and cost of deliveries, which has resulted in users’ occasional complaints. (R4.) The issue of control loss was also said to relate to the overall content created on the site:

“When you expand as a service that is dependent on content that you don’t create yourself, but it’s created by other people, you can’t always control everything. You need to make sure that the content created from the start is the right content.” – B. Erksen.

Also another respondent acknowledged the dependency on the correct type of user generated content. Trendsales is quite dependent on users trading known brand names, because buyers must be able to evaluate the attractiveness of the trade against their existing experiences with the brand (R2).

Role of trust:

The data further indicates that the role of trust in the C2C business model is central. The importance of trust was reported to yield from the service offering (R3) and from the “faceless” nature of internet trading (R1, R2).

“Especially because we are offer only services, we need to be very trustworthy.” – B. Eriksen.

“Trust has been a big factor... I think it is simply because there are so many scam sites happening on the internet. People can’t see it, they can’t see who is behind it.” – M. Pawlowicz.

According to the respondents, the main source of trust in Trendsales’ case is the security of the payment solution (R1, R3) and the users’ ability to act on the site by using their native language (R3). Trustworthiness is also enhanced by assuring that only authentic brand products are being traded on the site, that potential competition winners are announced on the site and by publishing press coverage also on the Trendsales site (R1).

Role of B2C market:

Finally, the interviews revealed that while the main target group of Trendsales is private people, the concept can attract also businesses to participate in B2C trading:

“You can say that it has never been our intention to target B2C, but when you reach some kind of a volume of buyers then obviously that attracts businesses. But it will never be our strategy to target them or start with them. The concept is to a 95% degree C2C. And that will also be the case when we open up in new countries.” – B. Eriksen.

The B2C market can also offer a source of growth when the C2C market has saturated (R1, M5).

“It is not as difficult to get the stores or brands on the web site (compared to getting private people*). It is just the matter of combining them with users who want to buy.” – S. Skovdahl.*

The B2C side is currently being further activated on the Danish site, by launching a separate shop area where businesses can sell their unused fashion items (R1, R2). In Finland the B2C market has also been attempted to be activated to a degree (M5). However, this has showed relatively little results due to Trendsales being an unknown brand in the Finnish market (R5, M5) and the low number of registered users (R5).

5.1.2. The internet

The interviewees reported several advantages related to operating through the internet. Cost advantages were said to yield from not having to tie funds in a physical stock and from not having to hire any sales force (R4). The internet was also said to enable a “physical freedom” due to not having to establish physical sales offices (R4), which also leads to lower investment requirements (R1). Offering internet-based services and having the ability to manage international operations in a centrally lead way was said to result in advantages stemming from fewer regulations (R3).

“My general opinion on this is that it is of course much more easy to have services than physical products. We don’t typically have as strict regulations as you have with physical products... The only thing we need to take care of are the processes of investigating how and when should we pay local VAT and when are we applicable for local tax. But right now we drive it from a central base in Denmark where we pay tax and VAT to the Danish government. And we intend to keep it that way for the coming time.” – B. Eriksen.

The internet as an operational environment also poses challenges to Trendsales. The threats were described, for instance, in the following way:

“The internet has become much more mature now than ten years ago. Now you have search engines that decide where they send traffic. You have media companies that are controlling all the banner advertising. And you have search engines controlling all the pay-for-click advertising. So that means that it has become structured. And when it becomes structured then it becomes known to most people how to do it. And then competition rises, costs rise.” – S. Skovdahl.

It was also said that an internet based concept is easy to copy (R4), that competition is very high (R1, R2, R3, R4) and that constant changes in the internet environment demand for adaptations (R4).

5.1.3. The “glocal” approach

Trendsales appears to follow an approach in its internationalization, which could be loosely termed “glocal.” The data reveals that while the overall approach is based on a global platform and brand, local adaptation in regards to language and payments are

necessary (R2, R3, R4, M5). The “glocal” approach is especially visible in the Swedish and Norwegian operations, while in Finland the localization of operations is stronger.

The global platform technology enables users in different countries to communicate with one another and to engage in cross-border trading (R3). Local language adaptation was reported to be important due to the underlying business model, the target market, trust building, competition and country specific brands (R2, R3).

“With the strategy that we have chosen I think it (local language) is important... Our goal is to signal to the user that this is a concept targeted at your country specifically, even though right now there is a lot of Danish content... I think that in order to have a stronger reach you need to be more local... I think that for the majority of people we need to have the local language and local customer service in the native language when you phone up or write an email. I think that it builds up trust.” – B. Eriksen.

“The idea of Trendsales is that it is local language. Most countries would have their own auction sites and trading platforms, so it would be difficult just to have a generic English one. That is one thing. The other crucial thing is that we are talking about people in a country that has brands, which are not the same all over the world. So can you sell Reima children’s’ clothes to an Italian? I don’t think so. So there are brand specific purchase patterns nation by nation.” – S. Skovdahl.

The Danish, Swedish and Norwegian Trendsales sites already have an option for viewing the site in English. However, the English language option regards only the features, as the sales ads are usually in the users’ local language. By entering trendsales.com a user will automatically be redirected to the trendsales.dk site. (R3.) One of the respondents saw the English version of the site as “an international window”

for such users, who speak a language not offered in any of the existing sites. In this way a larger number of countries can be serviced. (R3.) Another respondent saw that even in the absence of a common native language between the seller and the buyer cross-border trading could be possible if the economic terms of the trade would be attractive enough. (M5.)

5.2. Operations and organization

5.2.1. Organizational structure

At the moment Finland is managed as an independent subsidiary, whereas Sweden and Norway are being centrally led from Denmark. All the respondents, who have originally been involved with launching the Finnish Trendsales site, reported that the decision to completely separate Finland from the Danish mother company has been a mistake. Due to the Finnish platform having been separated from the global platform, updates, corrections and other changes made to the Danish platform environment are not converted to the Finnish one. This has led to excessive amount of resources spent on IT and subsequently taken away from marketing activities. (R1, R2, R3, R4.) According to one of the respondents the Danish site is also more attractive in terms of design, layout and features. (R4.) The Finnish site is planned to be technically integrated into the global platform in the near future (R1, R2, R3, R4, M5), but the possibility of closing down the Finnish subsidiary and merging the operations with the Danish mother company was not discussed by any of the interviewees.

Along with the technical problems, the de-centralized management of the Finnish operations was seen as a mistake by one of the respondents. He described his feelings in the following way:

“I would have preferred that all the people working on Trendsales Finland were situated in Denmark. From now on when we expand, we will probably never open up in a new country where the people involved are not situated in Denmark. We believe that we are far more strong in our belief that it is important that people interact with each other each day. And that people are in the same boat...here in Copenhagen. People of course work on different countries, but communication flows easily and people can help and brainstorm together. I have also control in mind...” – B. Eriksen.

When describing the organizational side of internationalization further, Mr. Eriksen noted that initially the intension was to expand by opening physical satellite units in all of the strategic markets. However, he now feels that a centralized organizational structure is more suitable for Trendsales:

“Right now we are more and more keen to actually acknowledge who we are. We have had success in Denmark and I think that is what we need to focus on. And the point is for us to keep a centralized way of controlling the things. So the plan is right now that when we expand to new countries we will not open local offices in those countries. We will actually drive all from Denmark... So instead of us building a complex decentralized organization in various countries, we would rather like to keep it here in Denmark... I think that also if you want to be able to expand quickly and service a lot of countries you need not to overcomplicate matters by looking at a physical expansion...” – B. Eriksen.

The centralized organizational structure was thus argued to enable a faster and broader market entry, a good flow of communication and information exchange among staff and a higher level of control. According to this respondent, centralized management would

also strengthen the unified and global brand identity. (R3.) The centralized structure would, however, require foreign competence:

“We will drive it centrally from Denmark, and then we will just hire people from outside to come to Denmark. And fortunately Copenhagen is not an un-interesting or an un-attractive place to stay and work. So we think that we can attract foreign competence.” – B. Eriksen.

The other three respondents (R1, R2 & R4) had somewhat differing views on the optimal way to manage the international operations in different markets. While all of them saw that support functions, such IT and customer support, should be centralized to one country due to lower costs, the views on how to manage marketing activities differed. The respondents who argued in favor of a localized marketing unit felt that knowledge gained through physical presence in the market would be essential for successful operations.

“How else are you going to know what is going on in the market, who are the celebrities... what is going on in the local newspapers? You don’t know anything. You have to have it local. The marketing has to be done locally. You cannot run it from abroad.” – M. Pawlowicz.

“The point here is that otherwise you don’t live the local culture. So that means that, if you sit here (in Denmark) you wouldn’t necessarily be aware of the fashion activities in Finland. You wouldn’t necessarily know what is currently being discussed or what is hip or hot. And you would assume that it is the same as that where you are sitting... So yes, it’s definitely a benefit to be local, but sometimes it is a cost perspective too.” – S. Skovdahl.

One respondent (R4) argued that centralizing as many functions as possible would be a benefit. He noted, however, that a physical presence may be necessary in the beginning of the operations in a new market or when entering a market where the local language is very unique, as in the case of Finland. This respondent saw that the operations should be organized in a manner that allows country managers to focus on building the market rather than use their time on supportive work.

5.2.2. Market entry

Trendsales has so far opened country specific web sites in three foreign markets (Finland, Sweden and Norway). The entries into these markets have taken place between the years 2009 and 2011. One of the respondents saw that such a step-wise and relatively slow approach to internationalization should not be taken:

“I would not do internationalization the way they are doing it... I would roll this out to any country very quickly... I think by doing it in this way (one by one) they allow time to go by and new things to come in between. Pace is important because you are up against time... I would hire someone who knows something about that... rolling out in 70 countries in four months.” – M. Pawlowicz.

This respondent further suggested that internationalization should be approached in a more strategic and planned manner, that more resources should be committed and that the possibility of creating partnerships in foreign markets should be considered. She argued that by operating a global platform Trendsales has the possibility to enter several markets very quickly, and that the largest adaptation would be the different languages. This respondent’s view was also based on a comparison with competitors:

“People are not sitting and waiting. There are new things coming up. Like eBay was very interesting in the beginning, and how many people are now using it? I think it is still dominating in the United States but in Denmark Zero. In Finland, I don’t think so. So they haven’t been able to do that because they have been rolling it out step by step. Each country at a time. I don’t think you can do it like that. You are up against time.” – M. Pawlowicz.

In the other interviews the issue of pace and reach in market entries did not arise as definite theme.

5.3. Target markets

The interviews conducted revealed that Sweden and Norway were selected as target markets because of similarities in languages.

“If you look especially at Sweden and Norway, obviously there are lower barriers, because you have at least to some degree the same language spoken and written. That is not the situation in Finland, but when talking about Sweden and Norway and Denmark it is pretty easy to get those people to communicate especially in the written language... There is no interaction available between users from Trendsales Finland and users from Trendsales Denmark, Sweden and Norway. But when talking about Sweden, Norway and Denmark it is the same platform and it is a unified marketplace.” – B. Eriksen.

Finland, on the other hand, was said to be a more difficult market to operate in due to the unique language (R2, R3, R4) and because of the regulatory environment. Two of the informants described Finland in the following way:

“(Finland is) too rule-oriented, not very flexible. Not a system that encourages entrepreneurship...” – M. Pawlowicz.

“I think Finns are more precautions. They are more hesitant, wait-and-see. I think in general they don’t like to make mistakes. So that is why things take time in Finland.” – S. Skovdahl.

The Finnish business environment was also said to affect the launch of the Finnish Trendsales web site, as acquiring the necessary permits for the payment solution took time (R1).

“If they would have had the same laws as in Denmark, we would have gone live eight months before... And I think the situation would have been different... We could have actually taken that “piece” immediately and gotten people to come and trade there.” – M. Pawlowicz.

Cultural proximity, brand proximity, fashion proximity, purchasing power and behavior were listed as additional reasons for selecting Finland, Sweden and Norway as markets (R2). These countries were also believed to be suitable due to the understanding that cross-border trading already existed among the Nordic countries.

In the future Trendsales is planning to open a site in Switzerland (R1, R2, R3, R4) and other possible target markets include European countries, such as France and Italy (R4). Also the U.S. was mentioned by one respondent as a target market, which has been in the verge of being entered (R2). One of the interviewees accentuated that the target markets for internationalization should be selected carefully by considering the maturity of the market and the overall opportunities it offers (R4). Experience was mentioned by one respondent as an important asset in further internationalization:

“...A different role could be to help roll this out and manage more markets...I think that that would be quite reasonable because we have the experience... we have made all the mistakes.” – M. Pawlowicz.

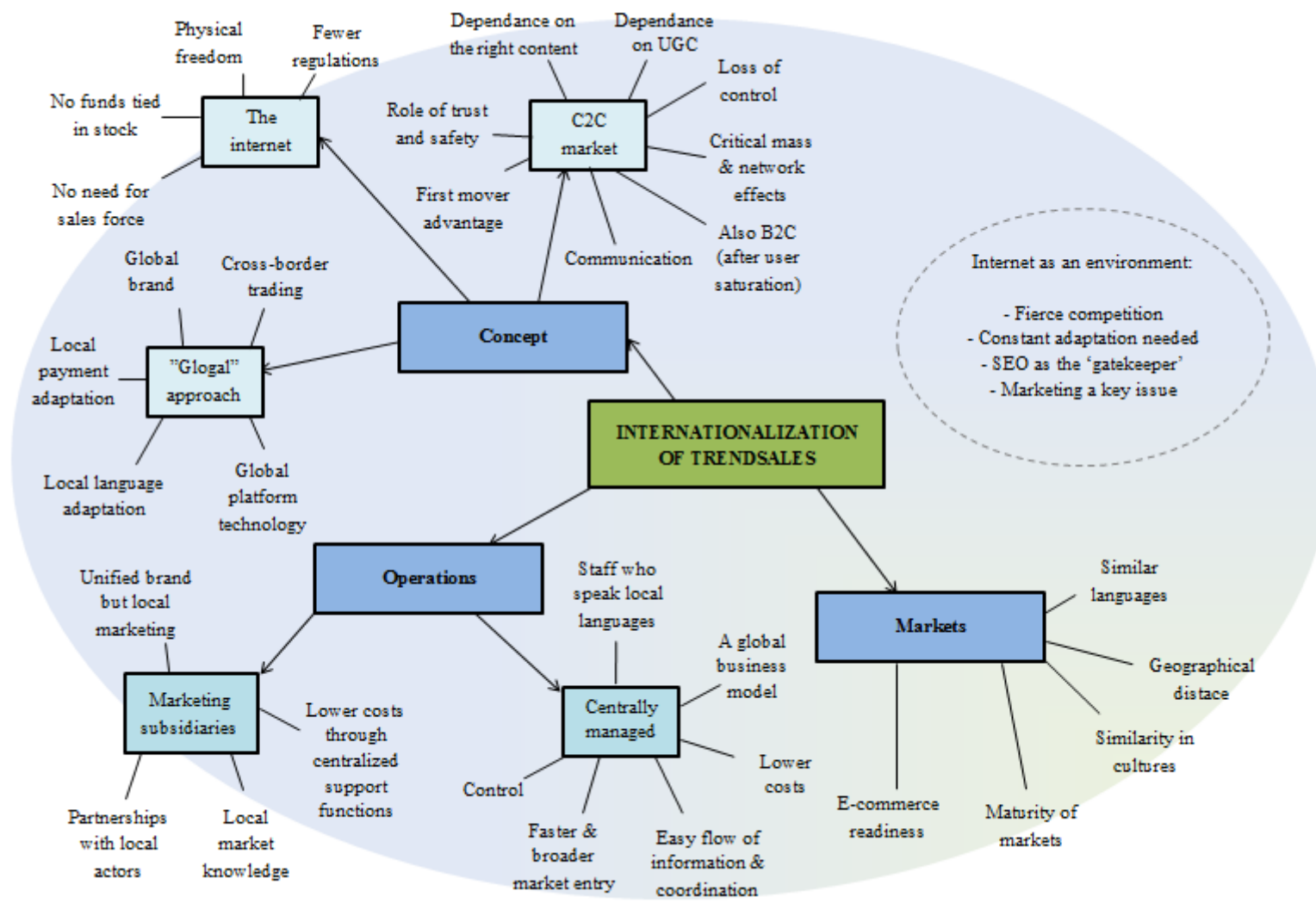


Figure 12. Themes arising from empirical data.

6. Analysis and discussion

This master's thesis study has been conducted with the aim of understanding the case company Trendsales' internationalization process. The interviews, informal discussions and secondary sources have provided with data, which together build a rather vivid and multi-sided view of the company's foreign operations. In this chapter the findings and conclusions that can be drawn from this data are paralleled to the topics found in the literature review and discussed in the light of the research questions:

1. How has Trendsales internationalized its operations into foreign markets?
 - 1.1. How does the internet-based C2C concept affect the company's internationalization strategies?
 - 1.2. How have the international operations been organized?
 - 1.3. Which markets has the company targeted in its internationalization and why?

Subchapters 6.1, 6.2 and 6.3 will provide summarized answers to the above research questions, and subchapter 6.4 will draw these areas together and present a revised model visualizing the "COM-profile" of Trendsales, an internationalizing C2C platform provider.

Although Trendsales is studied as an entire organization, the empirical data reveals an interesting finding, which affects the overall outcomes of this study. The Finnish operations seem to form a unique and rather detached subsidiary in Trendsales' organization. This division appears not to be only technical and structural, but also managerial. The data suggests that there is, to some degree, a lack of managerial consensus on the direction and method of the company's internationalization. It appears that the Finnish operations have served as an important learning opportunity for the

company as a whole, yet the managers involved have not arrived on similar views regarding the future international expansion. This lack of uniformity in Trendsales' internationalization strategy is also visible in the model presented in the end of this chapter.

6.1. The C2C business model and internationalization

As it was discussed in the literature review, C2C platform providers face the specific and very central challenge of attracting, activating and maintaining a sufficient number of sellers and buyers to act on their web site. The empirical data gathered for this thesis strongly supports this notion, as all of the respondents viewed acquiring users and having them create content as the major challenge affecting Trendsales' expansion into new markets.

Having started with a B2C focus and becoming a C2C platform provider partly by chance, Trendsales seems to have avoided the major obstacles of acquiring users in its domestic market Denmark. As it was mentioned by the co-founder of Trendsales, Bo Eriksen, Trendsales' popularity in Denmark has been affected by good luck and fortunate timing. Being founded during the early years of the new millennium Trendsales was able to take over the important first-mover position as a new type of an online fashion company, which instantly attracted public and media attention.

In its international expansion Trendsales seems to face a completely different situation. Rather than being an instant success, the Trendsales Finland site has faced many challenges. Also the current Swedish and Norwegian operations seem to be primarily supported by the activities happening on the Danish site. Drawing from the empirical data, it seems evident that Trendsales' challenges in internationalization closely link to the operational and business environment, in which the internet technology has matured, competition is booming and consumers have become more and more knowledgeable of

what is offered to them. In this sort of an environment, the central task of acquiring active users becomes ever more challenging.

Apart from the Finnish site, whose content has been created by Finnish users, Trendsales is looking to tackle this challenge through a technology aided solution. The global platform enables Trendsales to open up a new country specific web site with virtually no existing local trading activity. In this initial stage the site is launched with the help of the content created by the Danish users. In further stages the local activity, including content creation and trading, is presumed to be activated by the early adopters whose initial interest is acquired through the Danish content.

This approach to international expansion has already been used in Sweden and Norway, and, according to the CEO Bo Eriksen, it will also be the strategy of the future. The strategy enables Trendsales to expand to new markets with fairly little local investments and risks. The initial activities mainly require IT work, such as the adaptation of the site to the local language and the establishment of local payment systems, as well as marketing activities. The aim of the initial activities is to build up content and to acquire users, while further services are to be included only after a sufficient user and activity level base has been established. In this sense, Trendsales' approach somewhat resembles the traditional view to internationalization – expansion is initiated with less committed activities in order to test the market.

The C2C focus can, however, be speculated to set limits to the usability of this approach of utilizing the global platform and Danish content in the initial stages of international expansion. Because all trading in a C2C e-commerce platform is done between private users, trading requires a mutual language and acceptable risks related to shipping goods internationally. It could be, therefore, questioned whether the initial use of Danish content (sales ads with Danish descriptions and cross-the-border shipping) would be attractive enough to engage users in a new foreign market.

This issue was elaborated on by some of the respondents. It was agreed by many that the Danish content does not pose significant problems in the Scandinavian countries, because many of the languages are very similar. However, the respondents representing the Finnish part of Trendsales' operations appeared to think that in countries, where the local language is very different or unique, such an approach would not be successful and the generation of local content through heavy investments in marketing would be essential from the start.

Continuing, the empirical data does not offer much to draw from in regards to the issue of maintaining user loyalty, which was briefly discussed in the literature review. Although the issue was directly mentioned by only one respondent, there seems to be some evidence that the user base of Trendsales is viewed in a form of life-cycle thinking. The focus seems to initially fall on acquiring and activating both new sellers and buyers. This finding cannot be directly used to either support or contradict the argument presented by Zhang, Evgeniou, Padmanabhan & Richard (2011) about new sellers offering the most financial value to a platform provider. However, it seems that Trendsales values both sellers and buyers equally in the starting stage of a web site. Further in the life-cycle of the Trendsales service, buyers seem to obtain more attention due the economic value of the transactions initiated by them. Finally, after a certain saturation point, new sellers in the form of B2C trading are approached.

While this sort of a development appears to apply especially to the user base of the Danish Trendsales site, in Finland, Sweden and Norway the B2C area has been included from the start. This area of Trendsales' business is, in fact, perceived as somewhat conflicting by the researcher, because on the one hand the C2C market is reported to be the primary focus of Trendsales, while, on the other hand, especially in Finland the B2C market seems to have received quite a lot of attention.

Furthermore, it was discussed in the literature review that trust is a major issue affecting the operations and success of C2C platform providers. This was fully supported by the

empirical data, as four out of five respondents emphasized trust and accountability as some of the major characteristics that a C2C platform provider must maintain. The role of trust was also linked to internationalization by discussing the qualities of a trustworthy e-commerce site used by different nationalities.

It was argued in the literature review that the communicational side of a C2C e-commerce platform should not only be a supplementary feature, but rather a core activity. The empirical data shows that communication has been a major focus of Trendsales' business concept especially in the early years of operations. However, it seems that the importance of the communicational features may be decreasing, and that more focus is put on the trading activities. This is especially true in the Finnish site. Drawing from the empirical data, it could be said that Trendsales is not focusing as strongly on interactivity and social exchange as could have been expected through the literature review.

In summary, the empirical data gathered and analyzed for this thesis provides insight into the special features of firm internationalization when a C2C market is targeted, and thus answers research question 1.1. – How does the internet-based C2C concept affect the company's internationalization strategies? It appears that especially the reliance on users and user generated content affects the way in which Trendsales has and will be approaching internationalization. Although the communicational side was expected to be very central in all operations, the data provided with somewhat contradicting evidence. The data neither supports the discussion about value co-creation – in fact Trendsales appears to take a surprisingly traditional role in its interaction with its users.

6.2. International operations – subsidiary versus centralization

As mentioned in the beginning of this chapter, the Finnish operations seem to be distinctly separated from the Danish mother company also from an organizational point

of view. The Finnish operations form a unique subsidiary, and could be seen to fall under the Direct Investment Marketing Operations (DIMOs) –category in the POM-model of internationalization.

The operations in Sweden and Norway, on the other hand, are led from Denmark in a centralized manner, and appear to involve less direct local investments in the host countries. As mentioned by the CEO Bo Eriksen, centrally managed internationalization is also the desired approach in the future. This suggests that Trendsales is aiming towards an internationalization strategy, which has similar characteristics with the Global E-business Model in Grant and Bakhrú's (2004) "Digitalization & Local Adaptation" -matrix presented in figure 9. Furthermore, the centralized strategy also appears to support Yamin and Sinkovics's (2006) description of active online internationalization as a significantly more home-centered and parent-led form of expansion than traditional internationalization. Trendsales' case supports the notion of a rather tight-knit relationship between the home and foreign operations in online internationalization.

The issue of firm structure and organization proved to be an interesting one during the interviews conducted for this thesis. It appears that the managers who have been directly involved and responsible for the Finnish side of operations feel that some form of physical presence in a target country is absolutely necessary. In contrary, the managers involved mainly with the Danish, Swedish and Norwegian operations seem to favor a very centralized organization. This suggests that the managers' first hand, personal experiences with internationalization strongly guide their opinions. Learning from experience is a central assumption also in the POM-model.

The data did not explicitly reveal what kind of experiences have led to this difference in opinions. It could also be argued that the managers' experiences to date are not fully comparable, because of the differences in the duration of and personal involvement in the different foreign projects. One could still hypothesize that the degree of physical

presence necessary in a host market is dependent on the market characteristics, such as language, culture and e-commerce readiness. This kind of a hypothesis should, however, be carefully researched before arriving into any definite assumptions.

The data also suggests that a remarkable amount of resources are dedicated into two operating functions – IT and marketing. While IT can be seen as a core supportive function for an internet-based company, marketing appears to be superior in importance, due to its direct effects on the popularity of the platform among potential users.

The above discussed issues answer research question 1.2. – How have the international operations been organized?

6.3. Target markets – Scandinavia, Finland and Europe

The answers to research question 1.3. completes the “COM-profile” of Trendsales by discussing which markets the has company targeted in its internationalization and why. The market strategy also reflects upon the pace and focus of Trendsales’ market entries to date.

According to the traditional view, internationalization usually starts with targeting those countries, which are close in terms of psychic or business distance. The literature review discussed the potential effects that operating on the internet may have on this pattern. While existing academic literature suggests that operating in the internet may reduce the perception of psychic distance and thus encourage firms to target also less similar countries, the case of Trendsales does not offer full support to this notion. All the respondents approached in this study reported Finland, Norway and Sweden as very “obvious” choices for target markets due to the similarities in languages, culture, purchasing behavior, internet usage and fashion preferences. The target market strategy of Trendsales, thus, takes on very traditional components.

Finland was, however, seen as a somewhat more challenging target market due to the very unique language and characteristics in the business and regulatory environment as well as general consumption patterns. The choice to enter Finland was actually impacted by one of the manager's personal tie to the country, which suggests that internationalization does not always follow a completely planned and strategic approach.

A similar finding could be derived from the discussions regarding the overall background and drivers of Trendsales' internationalization. It appears that Trendsales was not initially founded with the intension of creating an international or global brand. Internationalization seems to have rather resulted from changes in the business situation and a "*let's try and see what happens*" –kind of an attitude. Based on this, one could also propose that acting on the internet and targeting a C2C market offers a possibility to "test" internationalization. An internet based C2C business concept requires no physical stock of products, no physical sales offices and quite few human resources – in other words, the costs and risks are lower than in many other business models.

As discussed in the literature review, the internet offers opportunities for relatively fast and broad international expansion. Having initiated with the market entry to Finland in 2009 and opening country-specific web sites in Sweden and Norway in the fall of 2011 the internationalization of Trendsales has so far been medium-paced. Although the internet would allow numerous country specific sites to be opened simultaneously, Trendsales has chosen a more step-wise approach. Interestingly enough, one of the managers involved with the Finnish operations saw that this kind of an approach will result to be a mistake and should be changed to a fast paced and broad manner to expansion.

Another interesting finding regarding the target markets of internationalization regards Trendsales' future plans. It appears that Switzerland is one of the main targets in the

near future's expansion, but besides that each respondent seemed to see the target markets slightly differently. This could be seen to suggest that Trendsales' long-term internationalization plans may not be completely clear or, alternatively, shared by all managers.

It was also discussed in the literature review that operating in the internet may, on the one hand, be used to overcome information barriers related to international expansion, and, on the other hand, result in a "virtuality trap" in which a firm relies too heavily on information acquired through the internet in order to understand the host market conditions. Although not being discussed directly in any of the interviews, it seems that this exact issue is an opinion divider at Trendsales. While the management of the Finnish operations see that it is vital to acquire market information by being directly involved in the host market, the others appear not to consider the issue as strictly.

6.4. Trendsales' internationalization – overall conclusions

The model synthesizing the main theoretical concepts of chapter 2 is revised and presented in figure 13. This figure reflects Trendsales' "COM-profile" and its operating environment based on the insights gained from the empirical data. The model displays the company's strategic division between the Finnish and the other international operations, and thus accentuates the lack of uniformity in Trendsales' internationalization to date. This can be considered as one of the most important findings in this thesis. When compared to the literature review, Trendsales' internationalization deviates from the expected process especially in terms of operations in Finland as well as in the overall pace of internationalization.

Trendsales' internationalization has been step-wise, and it appears that the company has not fully utilized the opportunity to fast and broad internationalization offered by the internet. Although this finding contradicts with the existing academic literature

discussed, it was hypnotized by the author at the end of chapter 2 that the very nature of C2C platform services would not allow for a completely global internationalization strategy to be used. The empirical evidence, thus, supports the interpretations of the author. It appears that the willingness to employ local adaptation and the difficulties experienced with accumulating UGC have contributed in the slower paced internationalization strategy.

It also appears that although local adaptation and the inclusion of the communicational aspect of the site is seen as necessary, Trendsales' strategy does not support value co-creation as discussed in chapter 2.3.2. Rather than acting as an active partner in users' value creation process, Trendsales appears to take a more passive role as the intermediary between users. In addition to this, Trendsales' business concept is less communicational and interactive as could have been expected.

On the other hand, the empirical evidence provides strong support to the literature review in regards to internet as a business environment. It was clear that the interviewees recognized both the advantages and the challenges that operating mainly in the internet involves. More importantly, the case demonstrates the dynamic nature of the internet – Trendsales' success in its domestic market Denmark has been partly a result of good timing, whereas new markets have and will be entered in considerably more competitive conditions.

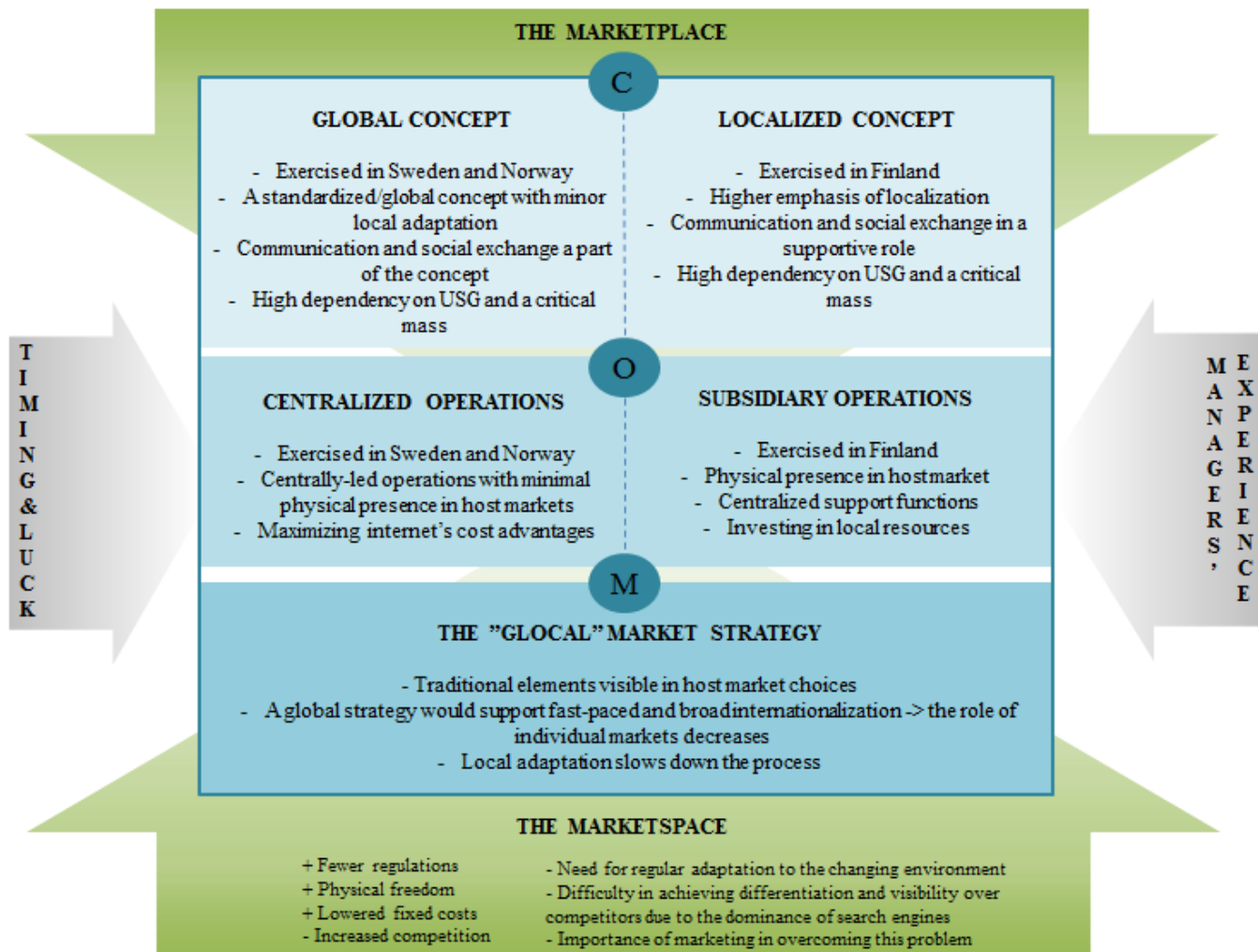


Figure 13. The “COM-profile” and operating environment of Trendsales

The “COM-profile” of an internationalizing C2C platform provider presented at the end of chapter 2 (figure 11) did not contain any indication of how a platform provider’s strategic profile might change over time in the process of internationalization. Based on the empirical evidence one could hypothesize on the future steps of Trendsales’ internationalization process, and thus provide some speculative insight into the issue. If the company would follow a similar approach as it has followed so far and if the top management’s plans would actualize, it could be expected that more European, culturally close countries would be entered in a step-wise manner. The users of these

country specific Trendsales sites would first be attracted by content created on the other sites, most presumably by the Danish users. The communicational side of the platform would be utilized to create the initial interest in a new market, but the major focus would fall on supporting economic transactions.

As a critical mass in users would be achieved also the range of available services could be increased. The country specific web sites would, most probably, be adapted to the local language and payment preferences, while other features would reflect the global brand. In this kind of a scenario, the management and staff of Trendsales would be located in Denmark and investments on local staff and other resources would be made only if completely necessary. The focus of actions when opening in new countries would fall on marketing activities.

Naturally, making this kind of a speculation is questionable, due to the very findings that were also discussed in this chapter. As said, the Finnish operations seem to have served as a learning experience from which the Trendsales' management has drawn advice on how to proceed in the future. In other words, due to ongoing learning, the operations in Sweden and Norway as well as in other future markets may prove to change the course and strategy of the company's internationalization. In addition to this, it was also found in this study that chance, luck and time have had very real impacts on how Trendsales has developed as a company, and can be expected to impact in the future as well. Finally, it can be concluded from this study, that internationalization, just as any business activity, is at the end led by people, and those peoples' personal experiences, opinions and relations have an unavoidable effect on the end result.

7. Conclusions

7.1. Main findings and theoretical contribution

As it is clear from the literature review chapter, the existing academic literature concerning the internet's role and effects on internationalization have been studied from a variety of perspectives. Trendsales' case provides support to the theory that online internationalization is primarily led by the home organization, and that the ability to digitalize many of the value chain functions allows for less complex operational structures. The case does not, however, fully support the notion of fast paced and broad internationalization enabled by the internet, as hypothesized by the author.

The special features of the C2C strategy in relation to international expansion have to date received less attention in existing academic literature, which is why the findings connected to the C2C strategy can be considered to form the key theoretical contribution of this thesis study. The findings suggest that the C2C strategy strongly impacts the overall internationalization potential of a C2C platform provider and that a platform provider must to some degree be able to encourage its users to engage in cross border trading in order to create the initial content in new markets.

A C2C platform provider can derive cost and efficiency advantages by operating under a centralized organizational structure and by digitalizing many of the functions in the value chain. Due to the nature of C2C services, it appears, however, that a fully global strategy cannot be employed, but rather the minimum of language and payment systems adaptation must be considered. The empirical data also raised questions about the potential boundaries of internationalization set by cross-border trading between physically and culturally distant countries. Trendsales' case also highlights the central role of marketing operations in the process of internationalization suggesting that

marketing should be the main target of investments in C2C platform internationalization.

Although Trendsales' internationalization process can by no means be defined as traditional, this study demonstrates how traditional theories can be used as a bridge when analyzing more contemporary business situation. The use of the POM-model as a framework in this thesis study proved to be acceptable, as the model provided with tools to view internationalization in a holistic manner.

The researcher and author of this thesis believes that the objectives set for this piece of work were to the most extent achieved, as an in-depth and versatile storyline of Trendsales' internationalization was managed to be formed. As the objective of this thesis was not to produce any universally generalizable findings, the outputs of this empirical study are bound to this specific case and context. Still, the author believes that the findings can offer a theoretical contribution to the academic world though prompting possible directions for further research. In addition to this, the author's close relationship with the case company allowed her to reveal more specific findings than may have been possible by another researcher, which contributes to this study's significance.

7.2. Managerial implications

The author believes that the main asset that this thesis study can offer to the managers of Trendsales lies in the outsider perspective regarding the general situation of the company's internationalization. Although the author has been involved with Trendsales through project type employment, the thesis still offers an analysis of the situation formed by a party who is not directly involved with the firm's internationalization. The holistic research approach has also led to quite versatile findings, which may help the managers to view their further internationalization efforts from a broad perspective.

More specifically, the findings of this thesis demonstrate that there is a degree of managerial controversy regarding the overall internationalization strategy of the firm. In order to succeed in further ventures, it could be suggested that the alignment of visions would be necessary. In addition to this, the author would recommend Trendsales to consider adopting a more active role in the ongoing value creation between users of the site. This could involve more direct involvement in communications with the users and in offering possibilities specialized services. Emphasizing the communicational side and drawing increased advantages from the Web 2.0 technologies could help differentiate Trendsales from its competitors.

7.3. Suggestions for further research

As said earlier, this thesis study was approached with a rather holistic research scope. The selected approach was suitable for this particular study, but possible further research could be suggested to focus on a narrower research area. In this way more detailed findings could be achieved. For instance, further research could target only one of the three strategic components of the POM-model or focus on revealing causal relationships in the steps that Trendsales has taken in its internationalization. Trendsales' internationalization could also be studied through a focus of only one target market.

Furthermore, in order to generate theory with a stronger aim at theory building and generalization a multiple case study could be advisable. Comparison to other case companies could yield findings through which general theoretical suggestions regarding the internationalization of C2C platform providers could be made. It would be interesting to further investigate how strongly the C2C focus affects different kinds of internet-based companies, and how this focus could be used to advance internationalization.

Finally, Trendsales has provided with a very interesting case company for this thesis. Studying the company's situation in a few years' time would be a natural continuum, as the validity of the suggestions and speculations made based on this study could be assessed against the reality.

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Appendices

Appendix 1 - Interview check list:

Background:

1. What is your role at Trendsales?
2. How are you currently involved with Trendsales' international operations?
3. Why did Trendsales decide to expand to Finland, Norway and Sweden?
4. How would you rate the success of the international operations so far?

Theme 2 – Business model and service offering:

1. Which features in the concept are the most important ones to consider when launching an internet-based C2C platform in a foreign market? (e.g. local adaptation of language, localized content, cultural adaptation, service characteristics, supplementary services, etc.)
2. Does the focus on a C2C market pose any special considerations on internationalization? If yes, which ones?
3. How would you rate the importance of having local content and a fully translated site?
4. How strongly is the Trendsales business model based on the idea of a social community and of users participating in the creation of the content?
5. How would you describe the internet as an operating environment (advantages, disadvantages, etc.)?

Theme 3 – Operations:

1. How are the international operations of Trendsales in the Finnish, Swedish and Norwegian markets currently organized?

2. How would, in your opinion, the international operations of Trendsales be best organized? (e.g. in terms of staff location, mode of operation, potential partnerships, etc.)
3. What is the role of the parent company Trendsales Denmark in the operations of the other (international) sites?
4. How would you rate the importance of having local staff working for Trendsales (for instance in Finland)?
5. For which activities or functions is it most necessary to have local staff?

Theme 4 – Markets:

1. Why were Finland, Norway and Sweden selected as initial target markets?
2. In what ways was knowledge and information about the foreign markets gathered?
3. Which countries will Trendsales most likely enter next? Why?
4. Does Trendsales have a vision of eventually becoming a global company?