

Bachelor dissertation

University of Twente

Juliane Teschner

25th February 2015

Internationalisation strategies

A case study of a 'Born-Global'- firm's entry strategy into the German e-commerce market

Supervisors: M.R. Stienstra, MSc
Dr. H.J.M. Ruël



Sources for pictures:

Shopping caddy on a keyboard [jpg]. Retrieved from
<http://cdn.instantshift.com/media/uploads/2010/03/thoos.jpg> on 30th June 2014

ISM emblem [type unknown]. Retrieved from
Retrieved from <http://cdn.instantshift.com/media/uploads/2010/03/thoos.jpg> on 30th June 2014

ISM saddle Adamo [jpg]. Retrieved from
<http://www.ismseat.com/files/images/adamo-breakaway.jpg> on 7th September 2014

Acknowledgements

Firstly, I thank very much Mr. Stienstra for his patience, confidence, advice and supervision and Mr. Ruël for his efforts as supervisor.

I am also greatly grateful for the insights given by both respondents, Mr. Leemkuil and Mr. Baum.

Lastly, I am obliged to appreciate all those persons who supported me over all those years, being my mother, my friends, Mr. Evertzen, the researchers of the University of Twente and the student support service.

Management summary

This dissertation is about the factors that determine the strategies of a Born-Global firm that endeavours to enter a host e-commerce market. Firstly, the mainstream, traditional theories of internationalisation are presented. Secondly, the Born Global concept is introduced as a new type of a firm that is more appropriate to the internet-era internationalisation. A Born Global is an early internationalising firms that look out for to service international niches. The question is asked if the traditional theory of INT needs to be updated to the realities of the internet era. Afterwards, the role of the internet on internationalisation of a firm is discussed. Then the factors that play a pivotal role for the internationalisation strategies are elaborated. The findings and conclusions are presented in chapter 5. The chosen research method was a case study approach based on the interview of two key experts regarding the bike market. The German e-commerce market is described as promising market by using information sourced on business reports as secondary sources.

List of tables and list of figures

Tables

Table 1: Global e-commerce sales, global share per region	2
Table 2: The OLI framework: advantages and entry modes.....	9
Table 3: Characteristics of a SME	18
Table 4: Promises and Illusions of the internet.....	22
Table 5: Turnover of e-commerce/ amount of internet shoppeRs	54
Table 6: Promises and illusions of the internet.....	62
Table 7: Coping strategies to bridge resource deficiencies	68

Figures

Figure 1: Leading e-commerce countries (in € X bn, 2012)	2
Figure 2: Amount of persons in % who did cross-border online selling within the EU.....	3
Figure 3: E-commerce share in total turnover of firms	4
Figure 4: Evolution of the e-commerce turnover (2003-2013).....	5
Figure 5: Forecast of e-commerce sales in Europe (in € X bn, until 2016)	6
Figure 6: International product life cycle	7
Figure 7: The basic mechanism of internationalization	10
Figure 8: Simplified model of the research process	15
Figure 9: Sales channel strategies (direct, indirect -dual, hybrid)	28
Figure 10: Theoretical framework	30
Figure 11: Shell and the core of research design.....	33
Figure 12: Economic indicators for Germany 2009-2015.....	53
Figure 13: Evolution of the German e-commerce turnover, 2010-2014	54
Figure 14: Online shopping frequency per sex and age group	56
Figure 15: Private internet use per sex and age group	57
Figure 16: Broadband internet in Europe	57
Figure 17: Adapted theoretical framework	72

Abbreviations

BG:	Born-Global firm
DIY:	Do-it-yourself/ Do-it-yourselfer
FDI:	Foreign direct investment
INT:	Internationalisation
INV:	International new ventures
ISM:	ISMsattel.de (as holding company)
KSF:	Key success factors
MNC/MNE:	Multinational corporation or enterprise
SEO:	Search Engine Optimisation
SME:	Smart and medium-sized enterprise(s)
USP:	Unique selling proposition of a product

Table of contents

Chapter 1: Background.....	1
1.1. The importance of e-commerce and its evolution	1
1.2. Traditional theory of internationalisation strategies.....	7
1.3. Towards a new theory of internationalisation strategies.....	11
1.4. Research questions	14
1.5. Research strategy.....	15
Chapter 2: Literature review and theoretical framework.....	16
2.1. The Born-Global concept	16
2.2. The influence of the internet on the internationalisation of the firm	19
2.3. Factors influencing the internationalisation strategies of Born Globals	23
Psychic distance.....	24
2.4. Internal factors	25
2.4.1. Motives for internationalisation	25
2.4.2. Value drivers of Born Globals	25
2.4.3. Lack and constraints of Born Globals concerning their internationalisation	26
2.4.4. Internationalisation strategies of Born Globals using the internet.....	27
2.4.5. Key success factors a of Born Globals	28
2.4.6. Strategy planning of Born Globals: ad-hoc management and muddling through.....	29
2.5. Theoretical framework	29
Chapter 3: Methodology	31
3.1. Research design.....	31
3.2. Description of case study firm	37
3.3. Data Analysis	38
Chapter 4: Findings	41
4.1. Results based on the interviews.....	41
4.2. Results based on secondary sources.....	52
The German economy market and bike-related data for Germany	52
4.2.2. The German e-commerce market.....	53
Chapter 5: Discussion and Conclusion	59
5.1. Regarding sub-question I: What are Born Globals?	59
5.2. Regarding sub-question II: How is internet influencing the internationalisation process? ..	61
5.3. Regarding sub-question III: Factors influencing the BG's INT strategies	64
5.3.1 Motives for internationalisation	65
5.3.2. Value drivers of Born Globals	66
5.3.3. Lack and constraints of Born Globals concerning it's internationalisation.....	66
5.3.4. Key success factors a of Born Globals	67
5.3.5. Internationalisation strategies	69
5.3.6. Strategy planning of Born Globals: ad-hoc/ muddling through management.....	70
5.4. Adapted theoretical framework.....	72
5.5. Regarding sub-question IV. How does the German e-commerce market look like?.....	73
5.6. Re-examination of the internationalisation theory.....	74
5.7. Quality considerations.....	75
5.7.1. Quality of the chosen articles.....	75
5.7.2. Quality of the research: Reliability and validity.....	75
Appendix	84

Chapter 1: Background

In this chapter the evolution and the importance of the e-commerce are depicted as a kind of introduction to new forms of organisation that belong to the internet era. Before new theories of internationalisation are presented, three examples of the pre-internet, traditional theories of internationalisation are portrayed. At the end of this chapter the research questions and research strategy are stated.

Traditional models of Internationalisation such as the models of Vernon, Johanson and Vahlne, and Dunning conceptualise internationalisation as an incremental stage process. The firms firstly grow in their domestic market before exporting and investing abroad. Since 1994, articles were written about the emergence of a new breed of firms that are known as Born Globals. This new label of firms was more in line with the realities and trends of e-commerce. This dissertation is about a Born Global firm, which wants to internationalise into the German market. In the literature there is a gap concerning question on how firms internationalise in times of the internet in general and how cross-border EU online trading manifests itself. This dissertation is one effort to approach both questions.

Themes of this chapter are:

- The importance of the e-commerce;
- Traditional theories of internationalisation;
- Towards a new theory of internationalisation;
- The emergence of the Born Global or International New Venture as new organisation form of firms in times of the internet era.

1.1. The importance of e-commerce and its evolution on a(n) global, European and national scale

E-commerce and online shopping are roaring, being one of the few most promising growth and innovation drivers of the European economy. There is a *“strong relationship between traditional retailing of goods and services and the further growth of e-commerce is evident”* as more and more retailers are launching their own web-shops, using *“a multi-channel or omni-channel shopping facility, a combination of brick-and-mortar shops and online purchasing”*. (Ecommerce Europe report, 2013, p.19)

Worldwide e-commerce market

In 2012, the total global e-commerce sale (B2C) had an extent of €889 bn. In 2012 and 2013, the turnovers grew in both years with over 20%. Concerning the turnover share of e-commerce, the United States of America are the biggest B2C e-commerce market, followed by the UK, then China. Germany is the fifth largest e-commerce market on the globe. Europe is the largest B2C e-commerce market region in the world and overtook the USA in 2010 (Ecommerce Europe, 2013). The leading e-commerce countries are presented in figure 1. The e-commerce sales are displayed in table 1, sorted by regions and global share.

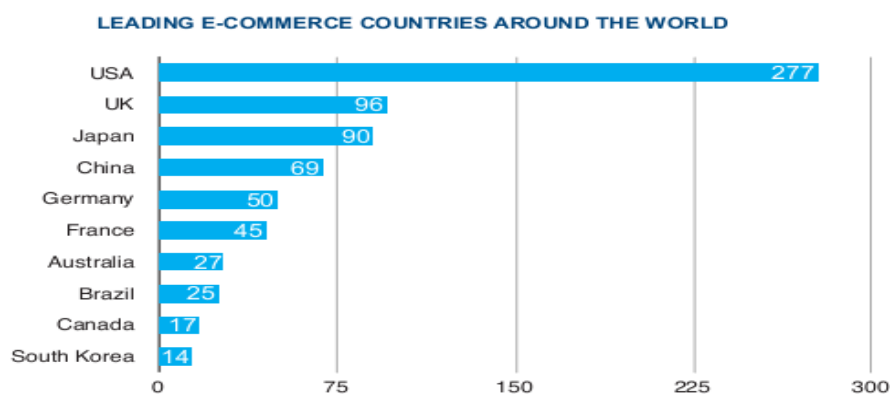


Figure 1: Leading e-commerce countries (in € X bn, 2012)

Source: Ecommerce Europe report, 2013, p.18

Region	E-commerce sales	Global share of e-commerce
Europe	€ 311.6 bn	35.0%
North America	€ 294.2 bn	33.1%
Asia-Pacific	€ 227.8 bn	25.6%
Latin America	€ 42.1 bn	4.7%
Middle East and North Africa	€ 10.8 bn	1.10%

Table 1: Global e-commerce sales, global share per region

Source: Ecommerce Europe report, 2013

The European (cross-border) e-commerce market

Thanks to the European internal, single market, it is easier for customers to shop across borders. They have a wider product choice with lower prices because customers can use product search engines on an European and even global scale such as

<http://www.preisvergleich.eu/>. In the EU27 zone, 11% of the customers bought online from sellers from another European country. The total value of online bought goods and services was estimated about €160 bn in 2012. 75% of those the goods/services were bought domestically, being worth €120 bn. The remaining 25% of the goods/services (€40 bn) were bought online within the EU27- boarder. Only 8 % of all cross-border trade was online trading. (Ecommerce Europe, 2013) The following figure 2 is showing the percentage of persons in European countries that shopped online and cross-border within the EU. In Germany, this was just 11% of all online shoppers - a very slow growth rate up from 9% in 2009 (Eurostat, 2013). The leading countries regarding cross-border online shopping are Luxembourg with 64% and Austria with 39% of all online shoppers buying from non- domestic e-merchants.

Amount of Persons who bought in the last 12 months goods/services via online cross-boarder t

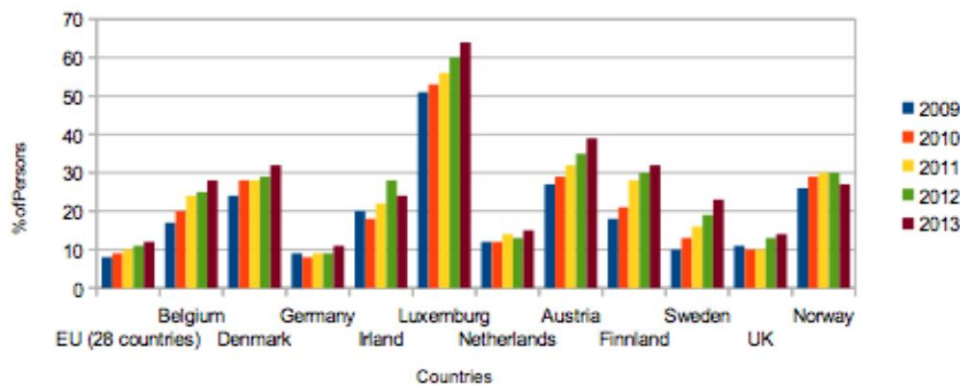


Figure 2: Amount of persons in % who did cross-border online selling within the EU

Source: Eurostat, created for this research

The Dutch think-tank for online trading, Thuiswinkel Waarborg, assesses that the cross-border e-commerce market needs to be more stimulated. They position that a fair playing field with a simple set of rules must be created and guaranteed for traders and consumers (Thuiswinkel Waarborg, 2014). Nevertheless, KPMG doubts the acclaimed potential of the cross-border online trading, because customers can satisfy their own needs by domestic online shopping. This will remain the case until 2020, and the share of cross-border e-commerce will only be 1% of the total turnover. (KPMG, 2012)

E-commerce turnover share and its use in European firms

In general 85% of all firms with 10-49 employees in Europe (28 countries) did online selling in 2013, but only 11% of the firms with 50-249 employees sold items online in 2013. As it is apparent in figure 3, the online share of total turnover stayed at 5 and 10 % from

2010 until 2013. regarding the EU firms with 10-249 employees.

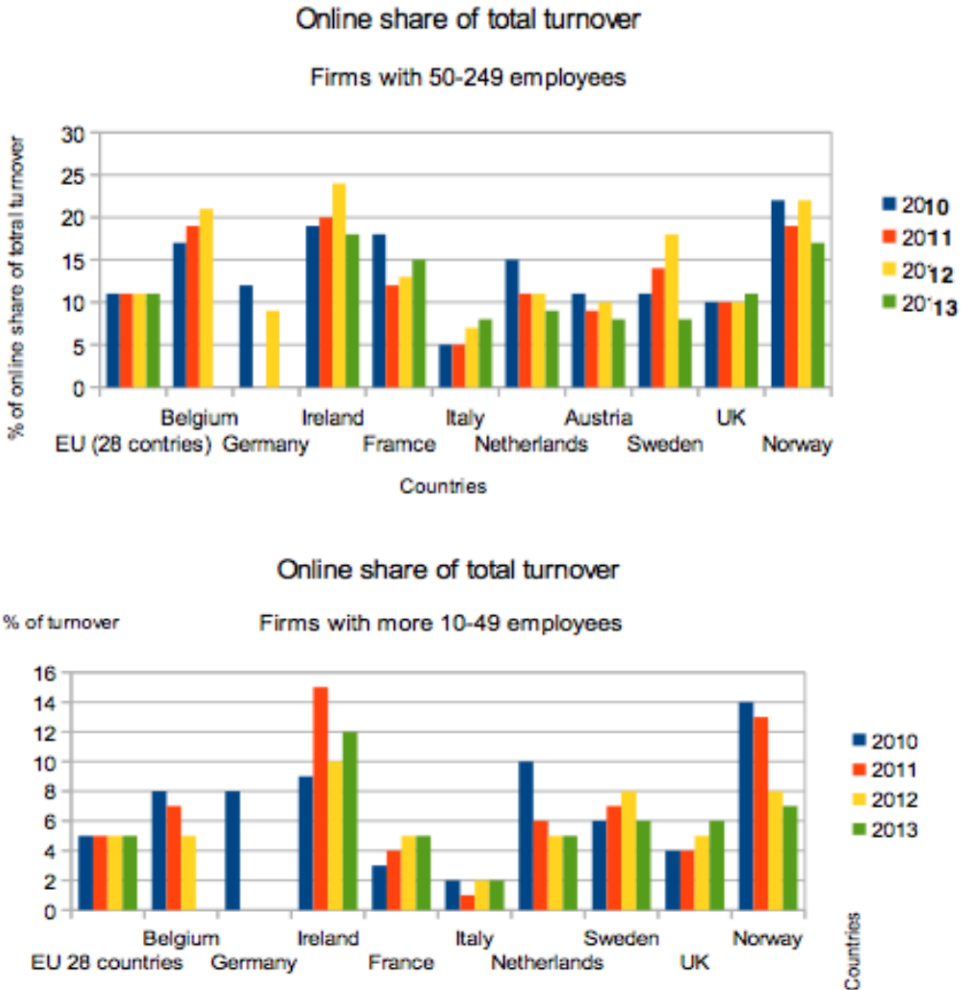


Figure 3: E-commerce share in total turnover of firms with 10-49 and with 50-249 employees

Source: Eurostat, created for this research

Very intriguing is the evolution of the e-commerce share in the total turnover of firms in Europe from 2003 until 2013 (figure 4). Ireland is ranked first, because e-commerce contributed nearly 52% to the turnover of Irish firms. That is up 26% from 2003 until 2013. Germany holds the 5th position: The e-commerce part in total turnover was only 27% in 2013, just 13% up compared to 2003. The Netherlands are ranked 12th, because the Dutch e-commerce turnover share merely attained 13% in 2013. The highly diverging e-commerce turnover shares in Europe are partly attributable to differences in the internet infrastructure and internet use in the respective countries.

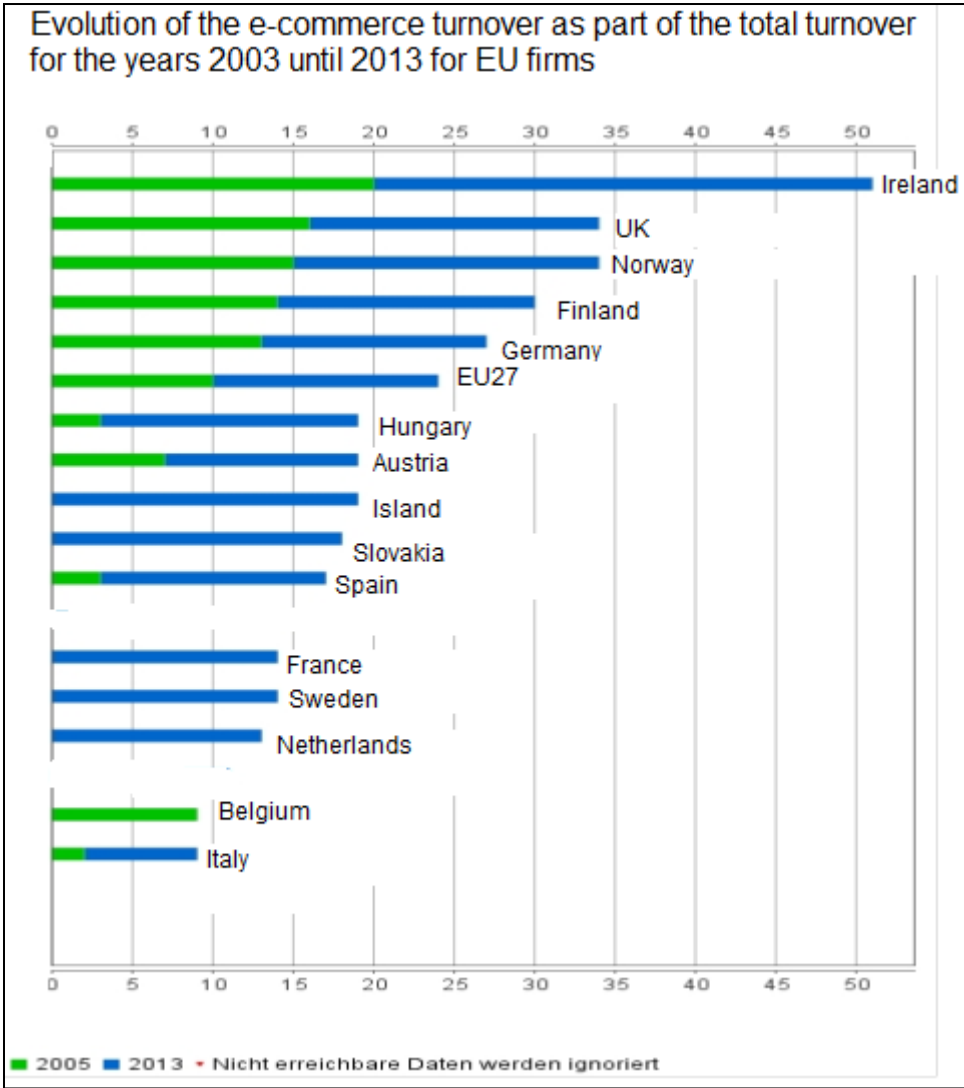


Figure 4: Evolution of the e-commerce turnover as part of total turnover (%) for 2003-2013

Source: Eurostat, created for this research

Economical importance of the e-commerce

The share of European E-commerce participating to the European Gross Domestic Product is approximately 3,5% and will be doubled by 2016 and tripled by 2020. Two million jobs are directly and indirectly linked to the e-commerce firms in Europe and more jobs will be created due to the astonishing growth path of the e-commerce. 550 000 B2C-websites were created until 2012, establishing a growing figure of 15-20% p.a. It is estimated that In total 3,5 billion B2C parcels are sent to domestic and European customers each year. To exemplify the huge economical potential for a small economy, it is estimated that e-commerce can contribute €2,3 bn in 2020 to the Dutch Gross Domestic Product if an accommodating e-commerce framework (('Shopping2020'-project) is enforced.

Outlook

As shown in figure 5, the countries with a mature e-commerce market such as the UK, Netherlands, and Scandinavia will undergo a lower growth rate at 10-13% p.a. Until 2016, Germany and France will have a growth rate of 20%. The share of the three leaders in Europe (UK, Germany and France), will be down to 55% in 2016 from 61% in 2012. In total 70% of all B2C e-commerce sales within the EU are attributable to those three leaders. The think-tank Ecommerce Europe warns that an optimistic scenario is dependent on factors like a *“growing confidence in surfing on the Web, higher disposable incomes and a further growth in fast, affordable mobile Internet through smartphones and tablets”* (European E-Commerce report, 2013, p.35). In 2025, online trading will be accountable for 25-30% of total retailing turnover, mostly in the non-food sector (3Sat, 2014). Concluding, e-commerce represents a significant trend, and will play a pivotal role within the next 10 years, shaping a new framework of trade.

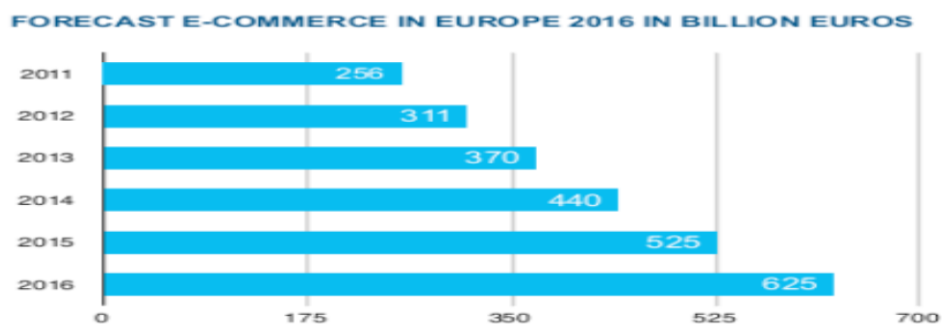


Figure 5: Forecast of e-commerce sales in Europe (in € X bn, until 2016)

Source: Ecommerce Europe report, 2013, p. 35

1.2. Traditional theory of internationalisation strategies

The ideas of Vernon (the international product life cycle), of Dunning (OLI-framework) and of Johnson and Vahlne (Uppsala model) are the most renowned traditional theories of internationalisation strategies. Those dominant theories were formulated during the pre-internet era.

International product life cycle of Vernon

Vernon (1966) investigated the investment and trade cycle of a standard product (figure 6) using analytical, unifying concepts. The timing of innovation, the effects on economies of scale and uncertainty are emphasised as factors for trade patterns. The life cycle starts in a respective home country, where the goods are produced for domestic consumption and exportation. Due to beneficial production-cost differences, a firm considers to build a local plant in the host country to satisfy local demand. If the production costs in the host country are lower due to lower labour costs, the products are exported from the host country back to the original home country.

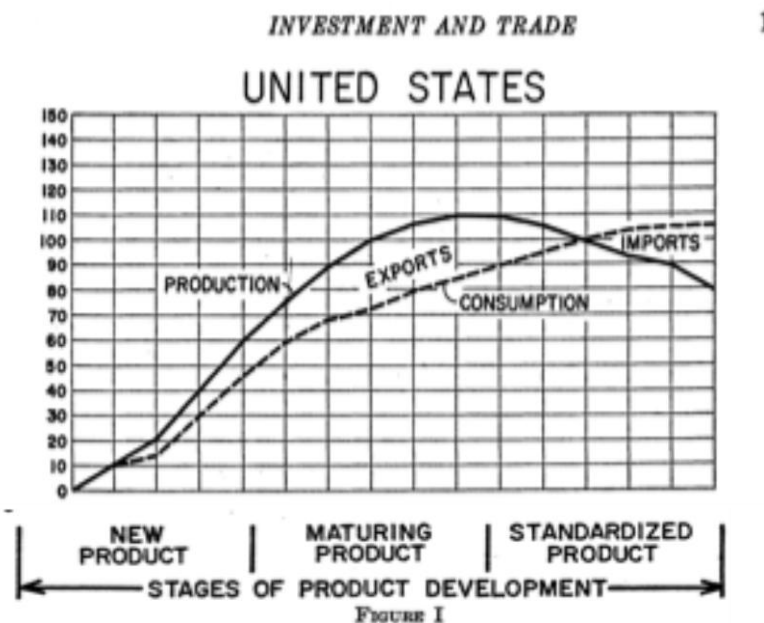


Figure 6: International product life cycle

Source: Vernon, 1966, p.199

Production and launching stage of new product

Vernon exemplifies the product cycle by using the USA as home country and Spain/Western Europe as host country in 1950s. The USA is a promising market, because consumers have a high average income. In addition, the labour costs per unit are high as

well. Entrepreneurs in the USA are aware of the opportunities to satisfy the demand that is created by the high disposable incomes. In this first phase, there is a direct communication between market customers and suppliers of the products. Hence, firms know which products are demanded, spending a lot on new product development. The USA is chosen as location for the production due to its huge market potential, although it is not the location with the lowest cost level. Because of the unstandardised nature of the new product, producers enjoy three advantages: 1) a flexible choice of inputs and cost level of the inputs, 2) a high degree of production differentiation and hence a monopoly situation in the early phases of the product cycle and 3) an effective communication between producer, suppliers, customers and even competitors enables a successful, accepted and standard product design. Nevertheless, Vernon warns that the decision making process of investments is not a rational process, because treats of competition, political and military reasons or patent issues. All those factors represent a 'reliable stimulus' to act.

Maturing product and standardisation stage

As more products are demanded, the standardisation efforts of the products are increased. But efforts aimed at product differentiation are expanded to avoid price competition. In this stage, the production achieves economies of scale. The need for flexibility is decreasing and cost considerations become a point of interest. As a result production facilities outside the USA are a possible option. The products are exported, the demand in a foreign market is growing and entrepreneurs bear in mind to build a foreign location plant. An FDI is avoided as long as the marginal and transportation cost of the exported goods from the USA is lower than the average production cost. In the next stage, the local market demand is filled by local production in foreign countries. If the production-cost differences change due to economies of scale and labour costs in favour of the foreign market and those differences are large enough to balance the transport costs, then the export to the USA becomes a viable option.

Eclectic framework of Dunning

Over 30 years since its publication, Dunning's OLI-framework, also known as eclectic framework, was and is a dominant theory of internationalisation (Dunning, 2000). This theory explains the determinants of FDI and international activities of a multinational enterprise. It was appraised for its 'simple, yet profound construct'. The basic logic of the framework is that the extent, geography and arrangement of the international production are explained by three independent variables. Each of the three independent variables

consists of three sub-paradigms. The first independent variable is the ownership specific advantage (O) of a firm that tries to increase its competitive advantage. The second determinant variable consists of the location advantages.(L). Firms always want to exploit their idiosyncratic advantages. A firm will use a FDI mode, the more ‘immobile, natural or created endowments’ restrain a firm in its optimal strategy. (Dunning, 2000, p.164) The third determinant of the OLI-framework is about the internalisation advantages (I). Firms try to exploit their core competences by calculating where the net benefits of internalizing activities are greater. The greater the net benefits of internalizing ‘cross-border intermediate product markets’ (Dunning, 2000, p. 164), the more a firm is motivated to produce abroad, doing everything by its own. The exact compilation of the OLI-framework is highly dependent on the context of the economical, political environment, the country or region, the type of industry and the internal resources of the firm. The diverse constellations of entry modes paired together with the three classes of advantages are represented in table 2.

Advantage → Entry mode ↓	Ownership	Location	Internalisation
Export	Present	Absent	Present
FDI	Present	Present	Present
International contract strategy	Present	Absent	Absent

Table 2: The OLI framework: advantages and entry modes

Source: Setzer (2009), adapted

Uppsala stage model of internationalisation

Johanson and Vahlne published in 1977 the theory of a gradual internationalisation process based on knowledge development (acquisition, integration, and use) and the increasing market commitment of a firm. Internationalisation was seen as the outcome of a series of incremental decisions, although Johanson and Vahlne did not incorporated the individual decision making style of the managers. They assumed that decision making process regarding internationalisation is subject to commonalities. The outcome of this decision making process is not aimed at optimal resource allocation. This outcome is based on incremental adaptations to the internal and external context. The process is incremental due to the lack of market information and the high uncertainty level regarding the foreign operations. Based on the observations and experience of both researchers they claim that every internationalisation process follows a pattern. Firms advance in small steps, starting with exportation by employing an agent. Afterwards subsidiaries are established and in the last phase firms prefer foreign direct investments. Firms tend to

internationalize into psychic similar markets and then expand to more culturally and geographically distant markets. The lack of knowledge is a paramount obstacle to internationalise and hence this knowledge gap can only be bridged by knowledge acquisition from abroad. The INT model of Johanson and Vahlne is based on state and change aspects of INT variables. The states aspects consist of resource commitment regarding abroad markets, the market commitment and lastly the knowledge concerning the abroad markets. The change aspects comprise “*decisions to commit resources and the performance of current business activities*” (Johanson & Vahlne, 1977, p.26). All the four key aspects for internationalisation can be seen in figure 7.

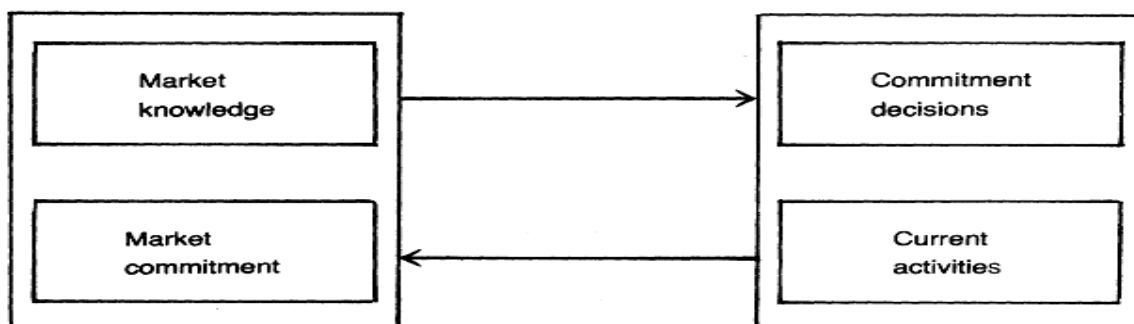


Figure 7: The basic mechanism of internationalization

Source: Johanson & Vahlne, 1977, p.26

Economical and business factors build up the framework of the decision making process. The unit of analysis is the individual firm, which strives for long-term profit, growth and low risk taking. The line of reasoning is as follows: Market knowledge and market commitment are input factors for the decisions regarding the commitment deployment and management of current activities. The other way around, the last two change the knowledge and commitment level. Risk and uncertainty are two very important decision factors. A firm will incrementally internationalise its existing operations until a 'tolerable risk frontier' and larger returns are achieved.

The shortcoming of the traditional theories of internationalisation

“*Traditional and dominant theories of internationalisation fail to explain the process followed by many SME's today, which do their business via the internet*”(Chrysotome 2004, p.8). The mainstream theories of internationalisation fail to take account of the rapid internationalisation pathway of the Born Globals as new type of SME. Firstly, FDI theory is not aimed at SME's. Secondly, evolutionary theories such as stage and incremental, gradual process theories were developed before the internet era and are mostly export focussed. Thirdly, the network approach is only relevant for SMEs with complementary and

non-competitive assets/capabilities. Moreover, the network approach was developed in the pre-internet era as well (Chrysotome, 2004). Nevertheless, the phenomenon that firms skip some stages is not new: Since the 1970s articles described that some firms leapfrogged the stages of traditional INT models. In the 1980s articles mentioned the emergence of firms that focused on INT straight from their funding. Since 1994, international new ventures like Born Globals became a point of interest in scientific articles (Rasmussen, 2002).

1.3. Towards a new theory of internationalisation strategies

In 1994, Oviatt and McDougall stated that *“the formation of organisations that are international from inception -international new ventures- is an increasingly important phenomenon”*(Oviatt and McDougall, 1994, p.45). Since the 1980s a new type of firm has emerged that belongs to the start-up stream. Huge advancements in communication and transportation technology have reduced the operating and management costs to such a degree that new ventures can conquer the international business landscape even when their resources and international knowledge are scarce. The changing environment and the homogenisation of markets have led to the shortening and facilitation of the internationalisation process. This landscape was in the pre-internet era the playing field of large and mature multinational corporations (MNC). Oviatt and McDougall formed their framework on the basis of entrepreneurship literature, sensing that the uprising of the INV is a universal, global phenomenon that is occurring across industries. They defined the INV as *“a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”* (Oviatt and McDougall, 1994, p.49).

Key features of International new ventures

The key feature of those firms is that they have an international aspiration right from their inception. They follow a proactive international strategy. An INV that wants to achieve sustainable competitive advantage needs to possess four elements: Firstly, NVs need to internalize some transactions that suffer from market imperfections. Organisations evolve where the market transactions are inefficiently established by the market prices. In case of the INV, the ownership of assets is not a key feature anymore. An organisation will always internalise activities if the transaction costs are lower by using its own hierarchical

structure. Secondly, INVs should use alternative governance structures when the firm does not control and lacks key resources. Therefore INVs are forced to cooperate with and trust other firms to share resources and knowledge. For example, they can use a network structure. Thirdly, INVs need to establish foreign location advantages by linking the transfer of mobile resources across borders with immobile resources and opportunities. An INV needs to overcome the disadvantages of doing international business “*such as governmentally instituted barriers to trade and an incomplete understanding of laws, language, and business practices in foreign countries*”(Oviatt and McDougall, 1994,p.55). Fourthly, an INV should control its unique resources to achieve competitive advantage and it should refrain from letting outsiders access its critical, commercial knowledge.

Four types of INVs

Oviatt and McDougall invented a typology consisting of four types of INVs: The export/import and multinational trader start up will be left out, here, because the main activity of such a firm is the import and export trade. The geographically focused start-up will be omitted because such a firm derives its competitive advantage by an optimal coordination of the value chain and by the transfer of knowledge. The fourth type, the global start-up, is the most radical form of the INV. The global start up achieves competitive advantage by extensive coordination among multiple activities and it is not geographically bounded. The global start-up proactively searches for opportunities on a global scale, trying to maximise the sales revenues. Mostly a global start-up will use the network as governance structure, putting its focus on controlling its assets rather than owning those critical resources. This global start-up type of an INV highly corresponds with the Born Global concept. (Rasmussen, 2002)

Emergence of Born Globals as a universal, worldwide phenomenon

Since 1992, a stream of new empirical studies about rapidly internationalising firms challenged the traditional internationalisation theory (Rasmussen, 2002). Many new firms did not evolve their international strategy in incremental stages, but those firms internationalised right from their birth and simultaneously entered multiple, distant markets (Mathews, 2008).Hence, those new firms did not 'necessarily' follow a traditional path of internationalisation. This rapid internationalisation was/is enabled and mediated by the internet (Petersen, 2002 and Mathews, 2008). Firms do not take a sole path of internationalisation but they are using multiple pathways to grow internationally. Those new types of firms were labelled Born Globals or International New Ventures. They were a

universal phenomenon that occurred in the most trading countries. (Knight, 2004) In this dissertation, Born Globals are defined as early internationalising firms that: *“expand into foreign markets and exhibit international business prowess and superior performance from begin their funding”* (Knight, 2004, p.124). For more information about the definition of Born Globals see section 2.1.

Forces that led to the emergence of Born Globals

Dimitratos (2003) holds several forces accountable for the emergence of Born Globals. Firstly, the growing liberalisation of global markets for goods and services, capital and know-how has created a immense growth potential for MNC and BG. Secondly, the advancements in information and communication technology facilitate e-communication and e-connectivity between firms on a global scale, serving as a mechanism to form constellations of firms through licensing, franchising, joint ventures and strategic alliances. Reliance on these networks appears to be a precondition for many new firms to expand in the international marketplace. Lastly, the emerging ‘new economy’ knowledge is a key driver of value creation. Those new firms appear to operate particularly in knowledge intensive industries.

Re-examination of the internationalisation theory

Chrysotome (2004) favours the development of a new theory of a internationalisation that *“considers the realities of the internet and the characteristics of SME's”*(Chrysotome, 2004, p.8). Knight (2001) agrees the INT literature needs to be overhauled, taking into account the practices of the managers. Mathews judges that due to the internet the internationalisation theory needs to be changed to such an extent, that one can speak of a post-internet internationalisation era (Mathews,2008). Mathew (2008) poses the question which model of internationalisation best portrays the new realities of the post-internet internationalisation era and the internet's impact on the traditional INT theory. Furthermore, Olivatt and McDougall (1993) argue for a new theory of internationalisation describing the emergence of an international new venture (INV) as a new type of organisation form. Rasmussen (2002) asks the either-or question: Is either a new theory development necessary that takes account of the new characteristics and internationalisation patterns of those new types of firms. Or is no new theory necessary, because the new firms are not substantially different from other firms. In that case the different internationalisation behaviour of firms can be explained by using known constructs.

Another point of interest is the role of knowledge in the INT process. Due to the internet, knowledge is democratized. Therefore, knowledge management and learning play a more critical role in internationalisation process of the future. Future research needs to investigate the issues of the importance of the network structure and the inclination of firms to share knowledge instead of stressing their ownership of the product or knowledge. The key conclusion from this section is that the time is ripe for re-examination of internationalisation theory.

1.4. Research questions

The above mentioned issues such as the traditional internationalization theories, the emergence of new types of firms such as the Born Global or INVs are closely linked to the e-commerce era. All issues were covered to provide the reader with sufficient background information before introducing the research questions. The guiding research question of this dissertation is: What factors are influencing the strategy of a Born-Global firm regarding the entering of a host e-commerce market? The host market is the German e-commerce market. This guiding question consists therefore of the following sub-questions:

- I. What are Born Globals?
- II. How is internet influencing the internationalisation process?
- III. Which factors are influencing the internationalisation strategies of Born Globals?
- IV. How does the German e-commerce market look like?

Sub-question I and II will be partly solved by a theoretical investigation Sub-question II and III will be partly answered using empirical research that is based on a theoretical-developed framework. Sub-question IV will be answered by using information sourced from practical-based reports

For information about	Please see section
Subquestion I (Born Global concept)	2.1.
Subquestion II (Internet's role on INT)	2.2.
Subquestion III (Factors of INT strategies)	2.4. and 4.1.
Subquestion IV (German e-commerce market)	4.3.

1.5. Research strategy

The literature review was written in order to understand the up-to-date developments in the field of the Born-Global and internationalisation theory. Based on the literature review the standing-out concepts were elaborated to enable the author to study the Born-Global phenomenon by using a pre-structured research design with a non-probability sampling. The data were collected by following a semi-structured in-depth interview approach. Common themes and patterns were screened during the data analysis stage. The findings section is trying to link and integrate the theoretical concepts with the practical side. Facts based on the informant knowledge and secondary reports underline the focus on the practical side. The theoretical concepts are used to interpret the participant's standing, view and experience. This whole process is recognizable in Punch's model of research as shown in Figure 8.

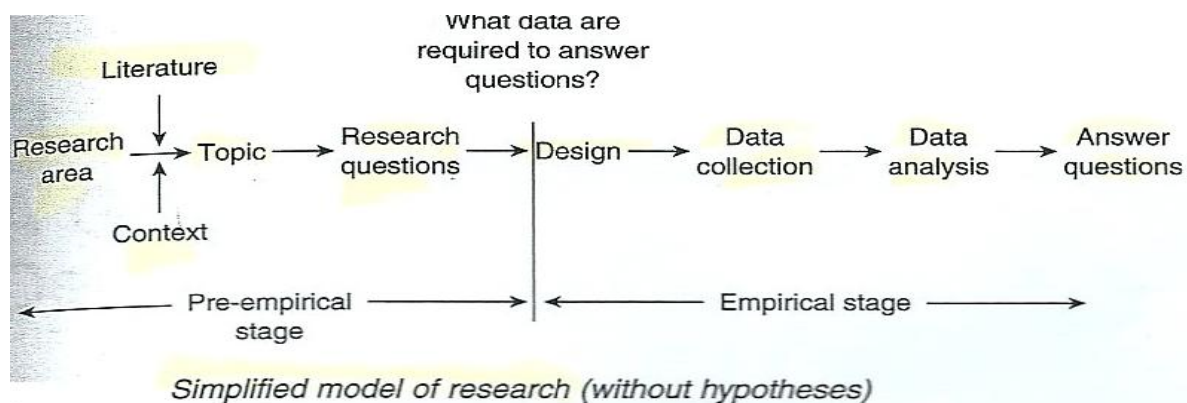


Figure 8: Simplified model of the research process

Source: Punch, 2006, p.17

Summary

In this background chapter, the extent of the e-commerce was described on a global and European scale. Secondly, three pre-internet, traditional theories of internationalisation (international product life cycle, OLI-framework, Uppsala stage model) were portrayed. This section was the lead in for the presentation of some new theories of internationalisation strategies. Those theories postulate the creation of new forms of organisations (INV and Born Global) that are more compatible with the internet era realities. Finally, the chapter ends with the statement of the research questions and the research strategy.

Chapter 2: Literature review and theoretical framework

The concept of the Born Global firm is not well researched, although the first article about them was written in 1993. Therefore, the concept and definition of a Born Global firm is explained at the beginning of this chapter. Moreover, it is made clear why the terms Born Global, SME and firms can be used interchangeably. Secondly, the internet's role of internationalisation is described. Then the focus is laid upon psychic distance as external factor and several internal factors, which both are assumed to influence the international strategy, meaning the sales channel posture (indirect, direct/ offline, online/ one-, multi-, omni- or hybrid channel).

Literature apart from experts as informants is an important information source. The theories that are presented here are aimed to describe and explain the pivotal concepts that belong to the Born-Global and internationalisation theory. The function of the definitive, formalized concepts is to ensure order during the data collection stage, whilst the concept specification and clarification happen during the analytical stage. At the end of the literature review a theoretical framework is presented to illuminate the global relationship of the concepts.

Role of theory

This study is geared towards theory verification because the study starts with theory (literature review), from which the most important concepts are deduced and cross-referenced in the end by using knowledge that were generated during the interview sessions (Punch, 2006).

2.1. The Born-Global concept

The Born Global concept was firstly mentioned 1993 in a consultancy report of McKinsey about a new organisation form of an Australian exporters. McKinsey defined the whole world as the target market of Born Globals. The management team of Born Global firms was highly committed to internationalisation and they focused on exploiting a global niche by using standardised products, instead of customising their products to the individual markets. The first scientific article about Born Globals was written in 1994 by Cavusgil. (Rasmussen, 2002) Rasmussen (2002) underscores that Born Globals realize the world as their marketplace. Their domestic market often plays a supporting role for their international strategies.

Definition of Born Globals

Born Globals are early internationalising firms that *“expand into foreign markets and exhibit international business prowess and superior performance from or near their funding”* (Knight, 2004, p.124). Born Globals do not follow the traditional internationalisation pattern of firm in which firms start to develop their domestic markets before doing any commitments abroad. These early adopters of internationalization instantly use a global view of their markets and develop capabilities needed to achieve their international goals at or near their funding (Knight, 2004). Born Globals focus on an early and rapid internationalisation although their resources (financial, human and tangible) are scarce and stretched. Because these firms are small and lack the old, archaic heritage of bureaucratized organisations they can use their flexibility to succeed in international markets (Knight, 2004). A small domestic market is often the launch pad for Born Globals to pursue internationalisation. (BIS report, 2010) The former industry experience of the founders/managers of the Born Global is determining the DNA of the Born Global: *“In a legal sense the Born Global might be new, but “its skills and capability are often born and matured before its birth“*(Rasmussen, 2002, p.12). Hence, the *“personal experience, relations and knowledge is (are) crucial for the existence of the Born Global firm“*(Rasmussen, 2002, p.12).

More traits of Born Globals

Born Global firms are distinctive from other firms in their vision and strategy to become global or international within three years after their foundation. Mostly they are technological-oriented firms that have a foreign sales share of at least 25% and a host country servicing share of at least 50% (Gabrielsson, 2004). Other specific requirements for Born Globals are a unique technology and/or superior design or innovative product/service, or know-how, systems or other highly specialized competences. Knight (2001) extends the Born Global concept to traditional firms and firms that are not knowledge-intensive.

Reasons to use the concepts Born Global, SME and firms interchangeably

The scientific articles that are used in this dissertation were about the SMEs in general and Born Globals in particular. Both concepts show the same characteristics, for example such as the number of employees or turnover volume. The EU- Commission defines a SME by using the characteristics that are presented in table 3:

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Table 3: Characteristics of a SME

Source: EU Commission, 2013

Mathews (2008) recommends the broad use of a SME definition such as the OECD definition to achieve a richer understanding of key aspects and variables. The OECD defines a SME as: “*non-subsidiary, independent firms which employ fewer than a given number of employees. (...) Small firms are generally those with fewer than 50 employees, while micro-enterprises have at most 10, or in some cases 5, worker.*“ (OECD, 2005). Moreover, Knight (2004) notes that Born Globals can also be perceived as international new ventures or global start-ups. Rasmussen (2002) composed a list of Born Globals and similar concepts. This list can be found in the Appendix C. Rasmussen mourns about the theoretical mess concerning the Born Global- concept and recommends the use the BG- concept as umbrella concept for all types of rapidly internalizing firms or international new ventures (Rasmussen, 2002). Hence, in this dissertation, the Born Global concept will be used as overarching concept. The terms ‘Born-Global’, ‘SME’ and the synonym ‘firm’ will be used interchangeably. The definition of a Born Global firm inspired by Knight (2004) is used in this dissertation, because it is the most recognized one. This definition is: Born Globals are early internationalising firms that “*expand into foreign markets and exhibit international business prowess and superior performance from or near their funding*” (Knight, 2004, p.124). Whether the term SME or Born-Global is used is not relevant if the abstraction level is increased. This dissertation is about international business research (highest abstraction level), that is the firm-level study of international and cross-cultural business activities of an enterprise (Peng, 2004). The big question of international business research is why firms fail or succeed in their international endeavours (Buckley, 2002). Hence, this is the central theme of this dissertation.

2.2. The influence of the internet on the internationalisation of the firm

Petersen (2002) claims that the internet will turn the business reality upside down, because unlike other business techniques, the internet has an indubitably global impact. In his view, the internet will reshape the nature of business. Chrysotome (2004) agrees with Petersen, stating that the internet is an essential business tool that serves as disruptor since it is destroying traditional international business barriers like high communication costs, long distances and high market entry risks. According to Mathews (2008) the web has given firms *“the capability to become rapidly or even instantly international”* (Mathews, 2008, p.1) and it is an enabler for international market expansion and growth. Due to lower transaction and communication costs, the internet has evolved into a tool to conquer the global trade landscape. Firms do not use the web as a sole way to internationalise, but using diverse ways to achieve international growth. Hence, the *“internet is essential for all firms for the implementation of growth in international markets”* (Mathews, 2008,p16). Nowadays, *“SMEs could not be international (...) without the internet”* (Mathews, 2008,p.16).

Influence of the internet on the internationalisation process

The internet has influenced the internationalisation process **in three ways.**

Firstly, the internet has given the firm access to better information, because the firm can generate and analyse vast amount of data regarding customers, competitors or the market. All this information would be kept hidden without the internet. This view is also supported by Peterson (2002), who states that the internet has led to more efficient market transactions and enhanced the learning processes about international operations, because firms can easier and faster access relevant information.

But Mathews (2008) warns that the internet is not generating value-adding information on every level: Firms view the internet as a better mechanism for international competitor information. Internet is not well suited as a source for international consumer and resource information (Mathews, 2008). The internet gives access to more data quantity, but not necessarily to higher-quality data. Because managers misconceive the information sourced from the internet they make wrong decisions. Petersen (2002) also warns that managers can suffer from information overload because of bounded rationality. Often the internet fails to fulfil the high expectations of firms (Chrysotome, 2004).

Concluding, firms acknowledge the internet as important tool for capturing and diffusing objective information from and to the market, but they need to be aware of potential pitfalls of the internet.

Secondly, the internet has created a new inexpensive communication channel to the stakeholders, whom can approach the firm by using the website, e-mail or social media (Mathews, 2008). Regarding the development and management of business relationships, the internet is an important communication enabler: “*Internet has given firms greater frequency and depth of communication through information and knowledge transference, which assists in developing new and more traditional business relationships in international markets previously untenable for SMEs*”(Mathews, 2008,p.17).

Thirdly, the internet has become an integral part of the firms internationalisation strategy, enabling the firms access to a worldwide audience: The “*internet allows SMEs to have an international or even global presence where this was not possible previously*”(Mathews, 2008,p.10). If a firm does not have a website, customers nowadays are not inclined to believe that the firm is even a real existing business entity. The internet has shaped a balanced playing field between smaller and larger firm thanks to an instant global online presence and global access to international customers, suppliers and others. Thereby firms can rapidly attain the critical mass level for their products. Firms are often competing on niche products, whose 'thinness of markets' necessitates a multiple entry strategy into markets.

Although the internet is ubiquitous, Mathews (2008) caution readers against too much internet euphoria, because personal networks of an internationalisation agent play even today an essential role in the internationalisation process. Customers often demand a face-to-face contact, which is the fundament for a trustful relationship between seller and buyer (Chrysotome, 2004).

Three pathways of future development concerning the internet and firms

Petersen (2002) has created a framework consisting of three extreme predictions of how the internet can affect the firm's internationalisation strategy (foreign market expansion). This framework is applicable to all firms that apply an international strategy, but nevertheless the predictions can be complementary because they are applicable to different units of the firm (e.g. outbound, inbound, and boundary-spanning agents). The actualisation of one out of the three predictions is dependent on a range of eventualities.

1st prediction: Moderate effect- Internet has only small effect on a firm's INT strategy:

Internet is not a means for all ends. The use of the internet to penetrate international markets as universal tactic is not advisable because many managers perceive the internet as an inappropriate tool for buying and selling transactions. Moreover, for a successful product market launching, most products have to go through some kind of modification regarding the distribution, marketing, sales and even the after-sales-service. Moreover, the internet can be a bad tool for the international strategy, because it leads to adverse partner selection problems and it has doubtful role as enabler for experiential knowledge. Firms following this moderate path, will probable use a market concentration strategy.

2nd prediction: Positive effect- internet leads to faster foreign market expansion: This represents the optimistic view of the internet role regarding the internationalisation strategy. Due to enhanced international transaction efficiency, experiential learning and reduced sunk costs, the internet enables firms to internationalise faster than in the pre-internet era. Sunken investments are avoidable since firms have in the internet era access to global customers that demand standard, easy accessible and price competitive products. Firms following this optimistic path will probably use the market diversification strategy. In addition, Chrysotome (2004) explains that the internet has created the following promises for firms:

- the web has given firms the means for an easier and faster foreign market entry;
- the web makes a multiple market entry feasible due to the global reach of the website;
- the market entry selection is more effective and flexible because the risk and uncertainty factors have diminished and traditional barriers can be bypassed;
- the web facilitates the creation of business networks due to lower partner search cost and easier access to potential partners.

3rd prediction: Negative effect- internet leads to overhasty foreign market expansion:

E-business is maybe only a hype that is given to much confidence and thereof it *“may hinder managers to reach a balanced assessment of internet opportunities”*(Petersen, 2002,p. 214). Firms may rash into markets, following a dominant, yet unsuccessful diversification strategy. Or they just copy-past business models of successful firms like Amazon, because the mainstream business journals overemphasize the importance of those role models. The fear of being 'technologically backward' leads

managers to follow the hype, not having a balanced view of the internet's risks. According to Petersen (2002), the internet is perfect for skimming, but to penetrate markets firms needs to have a click-and-mortar-location, being exposed to a full foreignness liability. Moreover, managers can suffer from the psychic distance paradox, assuming that psychic similar countries are easy to manage although the need a complete different management approach. Petersen (2002) forewarns that *“the mere introduction of new technology (Internet) (...) is not likely to lead to a reduction of environmental barriers such as cultural differences and business regulation”* (Petersen, 2002, p.216). Firms that are on this pessimistic track will probably use a market consolidation strategy. Prediction three should be a warning signal for managers to rush into a web-enabled international strategy. Managers should be critical and cautious, trying to link the benefits of the internet to the risk of it and the firm's capabilities. (Petersen, 2002)

Over and above, Chrysotome (2004) explains that the internet has created the following illusions for firms:

- Market penetration by using the internet as sole entry strategy is difficult, because customers expect a local presence, personal advice and contact and a trusted relationship;
- The internet has intensified the global competition due to the global exposure of the firms. SMEs encounter bigger players with more market power;
- The cost saving potential of the internet is exaggerated, firms even have higher operating costs (SEO, infrastructure, chief operations officer, customer service);
- The internet disarranges the legal (cyberspace) framework, because often it is unclear which law is applicable regarding taxes, bankruptcy, consumer protection law, etc.;
- The internet creates many security problems e.g. regarding the confidentiality of data and the protection of it.

To sum up, the promises and illusions of the internet are presented in the following table 4:

Promises of the internet	Illusions of the internet
Internet will speed up the market entry	Market penetration still complex, difficult
Internet facilitates multiple market entries	Intensified global competition
More effective entry mode choice	Cost savings hard to achieve
Enabler for foreign inter-firm networks	Legal issues (taxes, place of jurisdiction)

Table 4: Promises and Illusions of the internet /Source: based on Chrysotome, 2004

Internet as a tool for objective and experiential (tacit) knowledge

Mainstream theory on internationalisation judges that information, knowledge and experience are key critical resources for the international strategy execution. Knowledge can be classified as objective and experiential knowledge (Johanson and Vahlne, 1977). Objective, explicit knowledge can be learned and taught because it is easy to code and to transmit. Experiential, tacit knowledge is created by personal experience which is very difficult to transmit to other individuals. It is a critical resource because it is difficult to get imitated by competitors. Experiential knowledge is *“gained successively during operations in the foreign country.(...)The less structured and well defined the activities and required knowledge are, the more important is experiential knowledge”*(Johanson & Vahlne,1977, p.28).

Information asymmetry

The internet has weakened the old established asymmetry of information that small-medium firms faced in the pre-internet era during the internationalisation phase. Objective, explicit knowledge, meaning information that is easily be codified and transferred by using standard methods (Petersen, 2002), can be quickly circulated over the intranet or other services, so that every employee can access the same information. This is an example of the democratisation of knowledge thanks to the internet. Both Petersen (2002) and Mathews (2008) share the same view on the potential the internet has to be a catalyst for the capturing of objective knowledge. But Petersen (2002) doubt the potential of the internet to be a provider for experiential knowledge, because this kind of knowledge is experienced in-situ,real business live and actions. A sharing of experiential knowledge based on formal transmission techniques is hard to achieve. (Petersen, 2002)

2.3. Factors influencing the internationalisation strategies of Born

Globals

Several authors like Koch (2001), Brouthers (2002) and Morschett (2010) state that the international strategy is influenced by both external and internal factors. External factors are assumed to stay the same on the medium term (5-10 years). They are out of the influence of the individual firm. But a firm can control the internal factors to fine-tune its strategic management. Efrat (2012) finds that the strategic performance of Born Globals is mostly affected by the external factors, whereas internal factors are vital to the long term

survival. Koch (2001) identifies a set of internal and external factors that are influencing the market and entry mode selection. Regarding the market entry selection, he sums up the company size, the management locus of control, the international business experience and risk attitudes of the management and lastly the market share and profits targets as the key internal factors that influence the right choice of the entry mode. As most important external factors he notes the key characteristics of the business environment, market barriers, and the market growth rates. An analysis of the external factors would require a comprehensive work effort that goes beyond the scope of this bachelor dissertation and therefore represents an opportunity for later research. Psychic distance is the only external factor that is discussed here, because it is of foremost importance for the selection of the right international strategy (Mathews, 2008). Afterwards merely internal factors are considered.

Psychic distance

Mathews (2008) claims that “*psychic distance is evident*” (Mathews, 2008, p.17), because firms are inclined to enter similar countries. Consequently, psychic distance has a mediating effect on the international market growth. Petersen (2002) warns that the management of activities in physically close countries is complex. The assumption that host and home country are similar can lead to blindness regarding the perception of a 'critical difference'. In the literature this phenomenon is known as 'psychic distance paradox'. Freeman (2012) reveals that Born Globals enter larger, advanced economies that are culturally proximate, meaning the psychic distance is low. Therefore the exposure risk is reduced and an economy of scale level is attained faster. Afterwards Born Globals tend to move to non-proximate markets very rapidly.

Language as forgotten factor

Language is often the forgotten factor when psychic, and hence cultural distance between host and home country is present. Contrary to Freeman (2012), Knight (2001) states that Born Globals disregard psychic close markets, hence psychic distance is not relevant nowadays as firms go where they have the best opportunities. Furthermore, the market homogenisation, global transportation and global ICT infrastructure lead to a convergence of business practices and consumer behaviours (Knight, 2004). Lopez-Duarte et al (2010) states that language is often a forgotten factor when international strategies are considered, although language is the key factor of enabling communication between the business partners that belong to different national cultures. They warn that “*language*

barriers prevent and disturb the flow of information between partners, they lose credibility and trust between them” (Lopez-Duarte et al, 2010, p.579). The sharing of tacit knowledge, trust building and credibility of the business partners depend all on an optimal interaction and communication between the business partners.

2.4. Internal factors

2.4.1. Motives for internationalisation

In the opinion of Mathews (2008) 'international market penetration' and 'international market development' are the core motives for 'internet-enlightened SMEs' (Mathews, 2008, p.1). Regarding 'international market penetration', the firm is exploiting its existing markets. Market penetration is advisable if a firm focuses on yielding efficiencies in its international markets. Concerning 'international market development', the firm explores new country markets. Market development is the right strategy for firms who want to serve international markets. They can use the internet as a tool to internationalise instantly, globally and rapidly.

2.4.2. Value drivers of Born Globals

Amit (2001) claims that e-businesses create value by the way the transactions are deployed and managed. Value is defined as the total value produced by the transactions as it perceived by any stakeholder (firm, customer, supplier, etc). Amit (2001) defines four sources of value creation. The potential value exploitation depends on the synergies of all value drivers.

1st source of value: Efficiency:

The transaction efficiency being measured in transaction cost is viewed as the most important driver for value creation. The lower the costs per transaction, the higher the gains of the transaction efficiency, hence the more value is created. E-businesses enable efficiencies by removing the information asymmetries between buyers and sellers and by improving the speed and facility to access information. Furthermore, e-businesses incur lower marketing and sales costs because they streamline their business operations and provide a greater selection of products at a lower cost base. Hence, customer's search and bargaining costs are reduced. In general, the total cost of management, coordination and integration of transactions is decreasing.

2nd source of value: Complementaries

Complementaries are equal to synergy advantages. The package of goods and services is valued more than the separate goods and services. Complementaries are created vertically for example by a sound after-sales service or horizontally through a one-stop-shopping experience. Amit (2001) remarks that “*complementary between online and offline business is the essence of `click and mortar` offerings*” (Amit, 2001, p.505).

3rd source of value: Lock-in

In case of a lock-in, the customer is enticed to buy more often and is persuaded that buying elsewhere is uncomfortable because of the increased switching costs. An example for lock-in manifestation is the possession of brand name or a high trust interaction between buyer and seller. Online sellers must offer high transaction safety and reliability to create trustful relationships with their customers. Furthermore, a lock-in status can be attained when the customer is accustomed to the website and the inconvenience to learn a new interface is avoided. If customers can customize their products to their own needs they are less likely to switch. Lastly, Amit (2001) advises firms to use data-mining methods to personalize the information gearing towards customers with the aim to offer them the right product choice.

4th source of value: Novelty

This is the traditional way of value creation via innovation, meaning the launching of new products, distribution or marketing methods. First movers can create competitive advantage by offering their products before other firms follow. By having a margin of distance, first movers can attain a good reputation for having the best valuable offer.

2.4.3. Lack and constraints of Born Globals concerning their internationalisation

Small firms that want to internationalize need to face some main constraints. Firstly, Born Globals do not have access to economies of scale like a MNE does. Born Globals can only attain economies of scale -level by focusing on the global market niche (Knight, 2004 and Dimitratos, 2003). Secondly, Born Globals do not possess sufficient resources (financially and human) to slip up. They have a knowledge gap on how to source trustworthy foreign partners and how to provide a sound customer service abroad. Thirdly, Born Globals as small firms are inclined to avoid any unnecessary risk taking, partly due to the strained resources (Freeman, 2006). To mitigate against these three shortcomings, Freeman advocates the use of five coping strategies. (See 2.4.5)

2.4.4. Internationalisation strategies of Born Globals using the internet

If a Born Global firm wants to use the internet as a sales channel, the firm can choose two main sales structures. Either the firm sells its products by using direct channels (to the end-customer) or the firm can use an indirect structure by using independent agents in the target market (Gabrielsson, 2011).

Four functions of the internet as virtual space

A firm can use the internet as virtual space for four aims. The internet can be used as a device for information, communication, transaction or distribution. To get to the key point, there are four different constellations concerning the use of the internet as sales channel. In the first mode the Born Global as producer is responsible for the whole chain: promotion, sourcing of customers and order fulfilment. Secondly, the Born Global firm can use indirect selling partners. Gabrielsson (2011) recommends that a Born Global can best use a direct internet sales channel (distributors, resellers) in conjunction with an indirect channel to enable a multi-channel approach. In the third mode, the Born Global manages the 'numerous' customers by itself, while local distributors or intermediaries service the local, discrete, national segments. Lastly, a hybrid approach can be used, where the channel activities are partly executed by different agents. The internet's role is to integrate those discrete activities to a whole customer experience. For example, intermediaries promote the product, but ultimately the customer directly buys the product online from the producer. (Gabrielsson, 2011) In an article of 2004, Gabrielsson presents channel options for Born Globals that want to succeed rapidly in 'new business spaces'. They can either work together with a MNC to tap the resources and expertise of the MNC. Or they can use networking in its pure sense: finding a partner with a common vision and objectives. Otherwise the Born Global can simply use the internet as sole channel (Gabrielsson, 2004). The four different sales channel combinations are presented in figure 9.

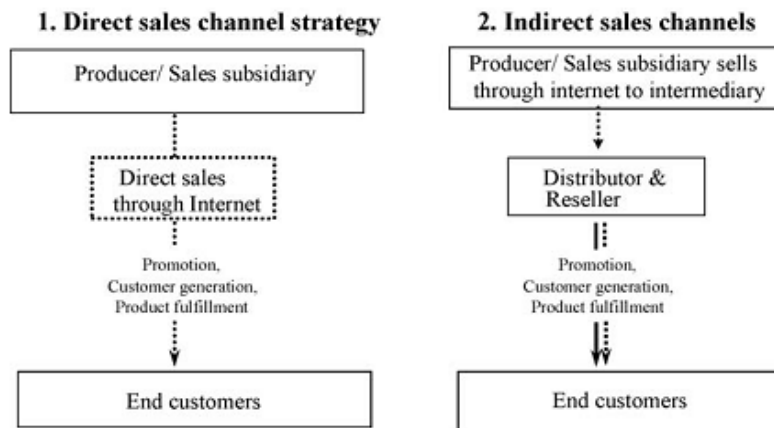


Fig. 1. Direct and indirect Internet-based sales channel strategies. (Note: Use of Internet shown with dotted line.)

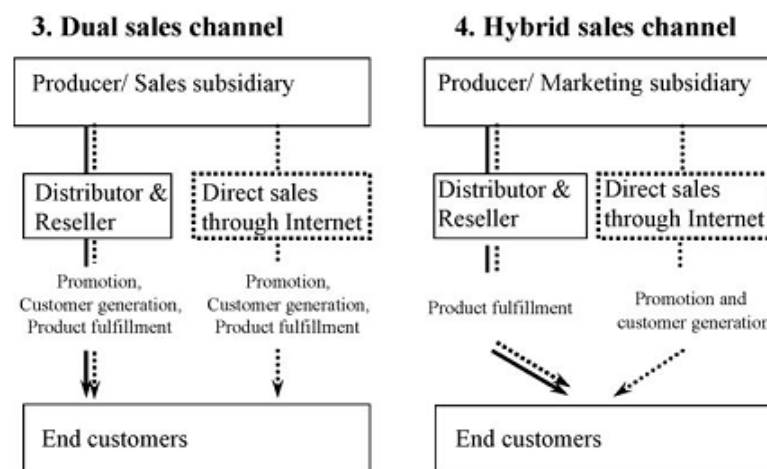


Fig. 2. Dual and hybrid Internet-based sales channel strategies. (Note: Use of Internet shown with dotted line.)

Figure 9: Sales channel strategies (direct, indirect -dual, hybrid)

Source: Gabrielsson, 2011, p.89

2.4.5. Key success factors a of Born Globals

Dimitratos (2003) demonstrates four success factors that have “*fundamental significance (...) for (the) superior performance*” (Dimitratos, 2003, p.168). Firstly, the founder and top management need to have a drive for global growth, supported by a global vision and international experience. In addition, the management team must have a global technological competence, thus being able to efficiently source new products worldwide. Secondly, the firm must have the human and financial resources to be capable to buffer the growth strains. To bridge the resource disadvantages, Freeman (2006) advises the firm to use some of the following coping strategies to turn the disadvantage into an advantage:

- Extensive personal networks contacts;
- Collaborative partnership with large foreign customers and suppliers;

- Client follower-ship strategy;
- Use of advanced technology;
- Use of multiple modes of entry.

Thirdly, the managers/founders of the firm should be competent in networking to bridge the resource deficiencies by “*locating requisite channels that enable them to compete in their foreign markets*”(Dimitratos, 2003, p.169) Lastly, a firm should service high-quality and upmarket niche segments to achieve competitive advantage by offering local services to foreign customers. In that case, the product offerings are adapted to fit the needs of the foreign customers. The homogenisation of markets and the globalisation of markets are key trends in today’s business world (Knight, 2004). Dimitratos (2003) thinks that only small firms can service the small niches because “*these small firms possess the flexibility to easily localise their strategies and offer customised offerings across international markets*” (Dimitratos, 2003, p.169). This last KSF corresponds with the unique product development and quality focus factors of Knight (2004). He argues that unique products lead to differentiation and hence to higher yields. By servicing niche segments, the firm can prevent a competitive battle and increase their sale without interferences. Moreover, Knight (2004) advises the firm to offer superior quality to satisfy the customer’s needs and thereby increasing their loyalty.

2.4.6. Strategy planning of Born Globals: ad-hoc management and muddling through

Schweizer (2012) demonstrates that the internationalisation process of SME's is not a rational decision making process, but resembles more a ‘Lindblomian’ muddling-through process. A formal strategic management system is absent in case of the BG-firm. Daily operational problems and opportunities are faced by applying a reactive ad-hoc management style that can best be characterized as muddling-through heuristic (Schweizer, 2012). Furthermore, a positive international orientation, international mindset and a proactive international readiness of the key decision-makers are the key determinants for a well-executed internationalisation strategy (Mathews, 2008).

2.5. Theoretical framework

Figure 10 illuminates the basic line of reasoning of this dissertation, where both external in internal factors influence the internationalisation strategy of the firm. Regarding the external factors, the focus was put on psychic distance. The internal factors consist of the internet technology appliance, the motives for internationalisation, the value drivers, and

the lack of resources. Firms use their key success factors as bridging strategy to mitigate against the lack of resources. Finally, the strategy planning system can be qualified as either formal or informal or reactive and proactive. All those internal issues are presumed to have a significant influence on the international strategy posture (offline, online/ one, multi-, omni- or hybrid channel posture).

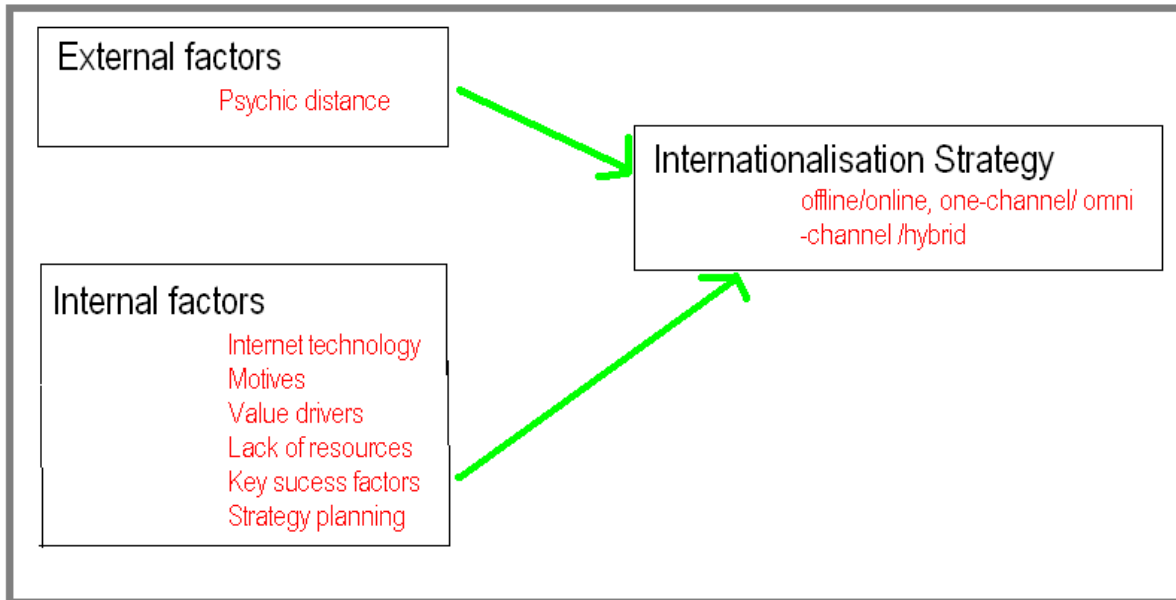


Figure 10: Theoretical framework

Source: created for this research

Summary

In this chapter, the first and second sub-question was answered based on a theoretical investigation. Born Globals are early internationalising firms that show international business prowess. They look for global market niche to achieve economies of scale. Moreover, the experience, knowledge and network of the founders and the management team are important to succeed. It was argued that the terms SME, Born-Global and firm can be used interchangeably, because all share the same features. The firm as abstract concept is key point of attention of the international business research. In the following section, it was elaborated that the internet can influence the internationalisation process in three ways (positive, moderate and negative). Then, several internal factors and psychic distance as external factor were presented as possible determinants of the international strategy posture.

Chapter 3: Methodology

While the literature review pinpointed what to study, this chapter describes how the data is collected and analyzed. Based on these empirical data the research (sub) questions II and III will be partly answered in chapter 5. Firstly, the qualitative research design and research purpose is described. Then the philosophy of knowledge is shortly discussed. In the following part, the case study set up is explained and the data collection methods (interview and reports) are depicted. This chapter ends with a description of the case study firm, being ISMseat.eu (ISM-NL).

To improve the quality of interview reports, Steinar (2009) demands that all the methodological steps should be explained in such a way that the reader can determine the relevance and purpose of the research and is able to judge the quality, validity, reliability, trustiness and transferability of the (interview) findings. A researcher should always quest for transparency during the whole research endeavour.

3.1. Research design

Qualitative research design

The chosen research type is a qualitative research design. This choice has repercussions on the research design, the role of the theory, the sample, the data collection and analysis and of course the findings section. Boeije (2010) mentions that data collection, sampling and analysis are interwoven with each other. Qualitative research is about three key elements. Firstly, the researcher tries to understand phenomena in terms of how people award meaning to these phenomena. Secondly, the research methods are flexible to enable contact with the informants. Lastly, the research efforts ends in qualitative findings, where the researcher presents re-interpreted descriptions based on the interviews.

Research purpose

Regarding a first distinction, my research purpose is the description of the Born-Global-phenomenon. Regarding a second distinction, a fundamental research aim is pursued because the author wants to gain knowledge about the (new) phenomenon of Born Globals. On the other hand, the author wants to improve the situation of the focal firm, ISMsattel.de, thus an applied research aim is envisioned, too. To get to the point, the purpose of this qualitative study is to understand and describe the Born-Global phenomenon by using the focal firm ISMsattel as an example par excellence. The context is the German e-commerce market.

An exploratory and descriptive research approach was used in order to get new insights into the born-global phenomenon. Our research is exploratory, because the Born-global phenomenon is *“a newly emerging field of interest that has not yet been extensively examined”* (Boeije, 2010, p.32). Furthermore, the research can be qualified as descriptive because the business experience and the views of both informants have a pivotal standing. Another point of interest was the change: This study is an attempt to capture the fast developments in the field of internationalisation theory. Furthermore the practical side is emphasized, because recommendations will be given in chapter 5 for the manager of ISM. Those recommendations are hopefully of value for other firms as well.

Philosophy of knowledge

This whole research project is grounded on the ideas of the empiricism, which is an *“epistemological theory that regards experience as the foundation or source of knowledge”* (Punch, 2006, p.3). The key feature of empirical research is that direct, observable data is used to answer the research question. The answer is not approached by theorizing or reasoning. A post-modern approach was intended to followed, in which the interview is seen as a site of knowledge construction. According to Steinar (2009), the knowledge produced by interviews is *“in line with features of a post-modern conception of knowledge like the conversational, narrative, linguistic, contextual and interrelational nature of knowledge.”* (Steinar, 2009, p.121) The certainty of knowledge is a matter of conversation between the partners. Emphasis is put onto the *“social, linguistic construction of a perspectival reality”* and knowledge is validated through practice. Steinar (2009) defines a post-modern interview as *“an interchange of views between two persons conversing about a common theme – based on linguistic interaction where the participants' discourse, its structure and effects is of interest in its own right”* (Steinar, 2009, p.70). Succinctly, people construct their own (social) reality and the researcher use methods to ascertain their perspective, experience and behaviours (Boeije, 2010).

Making a transition to the description of case study approach, the research approach of this dissertation can best be perceived figuratively (Figure 10) as a shell wrapping consisting of the qualitative design, narrowed down to the case study setup. The core is made up of the data collection methods such as interviewing as primary source and the use of secondary sources.



Figure 11: Shell and the core of research design

Source: created for this research

Case study design

In this research a case study approach is used in which data is sourced from primary sources based on interviews and secondary sources based on research reports. Case studies are a preferred strategy when how and why questions need to be answered. Yin (2003) defines a case study as an empirical inquiry, that:

- investigates a contemporary, real-life phenomenon, especially when the boundaries between the phenomenon and the context are not clear;
- copes with the special situation in which many variables, data points and more findings are inherent to that situation ;
- makes use of multiple sources of evidence;
- Follows a grounded approach to data collection.

This dissertation is an empirical and exploratory inquiry that investigates the born-global phenomenon as a real business life phenomenon. Many variables as indicators were developed based on the literature review. Moreover, several sources of evidences were used: two expert interviews as primary sources and multiple business reports as secondary sources. Consequently, the case study approach as chosen research strategy is assumed to be suitable. A single case study design (the Born-Global firm) was used. The rationale for this single case study design is a representative/ typical case, because *“the objective is to capture the circumstances and conditions of an everyday, commonplace situation”* (Yin, 2003, p.40). This is the case at issue here: we want to find out the situation a born-global firm is facing while entering the German e-commerce market. Another point of interest are the *“lessons learned (from the cases)..(that).are*

assumed to be informative about the experiences of the average person or institutions” (Yin, 2003,p.40).

The ‘lessons’ of this dissertation are based on the business experience of both interviewed experts. A holistic design is intended in order to capture the 'global nature' of the born-global firm.

Unit of data/ analysis and interview protocol

The unit of data collection and inquiry are the individual interview partners, whereas the unit of analysis is the focal firm, because this is the level being addressed in the research questions (Yin, 2003). Out of the six sources for data collection, interviews were considered to be best suited. Interviews are one of the most important sources of case study information. The researcher as interviewer needs to follow the line of the interview protocol and at the same time asking the questions in an unbiased way. The interview protocol for this research is attached in Appendix A. The interview was semi-structured in nature, because the researcher was interested in the informant qualities of the respondent. Hence, the expert knowledge of the respondents was important for answering the research questions. Moreover, the access to them was feasible. (Yin, 2003)

Construct validity and reliability

To enhance the construct validity and reliability, Yin (2003)advises to use three principles. Firstly, multiple sources of data evidence should be used. Data triangulation was applied, because the data were sourced from two independent informants and various research reports from established institutions like Eurostat or Statistisches Bundesamt. Secondly, a database of case study data, meaning interview data, was created and could be accessed by outsiders if wanted. Finally, a chain of evidence was maintained because the interview protocol is based on theoretical framework in order to achieve valid interview questions. Furthermore, both interviews were member-validated to ensure validity and reliability. In addition the interview with Mr. Leemkuil was recorded

Data selection: Sampling, recruitment and access

It is common in qualitative research, that the samples are small in order to generate a in-depth information and a thorough investigation of the cases. The sampling strategy is about to epitomize the views and experiences of the informants and is not about statistical inferences as it is aimed for in quantitative research. A purposive research strategy was followed regarding the data selection, meaning that the sample *“is intentionally selected to*

suit the needs of the study” and because our research is “informed a priory by an existing body of (...) theory on which the research questions are based. The sample direction is then driven by a theoretical framework which guides the research from the outset “(Boeije, 2010, p.24).

Selection of interview partners and ethics principles

The focal company of interest of this dissertation is ISMsattel.de. The single case study is about ISM. Both informants were recruited because the access to expert knowledge was guaranteed. The second informant, Mr. Baum representing the second firm, was selected as a source for background knowledge, because he has insider knowledge of the German bike market.

The Interview partners are:

- Erik Leemkuil, founder /manager of ISMsattel.de - retailer of ISM Seats in Germany
- Mr. Siegfried Baum, distribution manager of Hart – a German B2B wholesaler for bikes and bike-related parts

The principles of ethical research were followed: voluntary informed consent was put into action as the purpose of the study was explained to both interviewees. The privacy principle and confidentiality was enforced by guaranteeing that any sensitive insider business information will be left out. Anonymity was important for Mr. Baum because he took part in the interview as private person as his firms does not allow any interview participations.

Data collection

According to Boeije (2010), a researcher can either use already existing information or he can collect new data for his own study. The data collection must be valid and systematic, because in the analysis stage meaning is created based on the data.

The researcher also needs to be aware that qualitative data are not 'exact representations' of the experiences of the interviewees. Firstly, the interviewees may do not want to disclose certain information to the researcher. Data is produced with a specific research aim and this will influence the interview conversation and interaction. Secondly, data do not correspond with experience itself. A given verbal report of some event is not the same as actually experience this event in-situ. The viewpoint of the author is therefore: The empirical data here is based on the utterances of the interviewees and this data represents

the experiences of those people. By studying those data, the researcher is able to understand the research topics, keeping in mind the potential pitfalls of treating experience and data as commonalities.

Data collection method: interview

Out of the four qualitative data collection methods (participant observation, qualitative interviewing, focus group or the production of video and other visuals), the interview method was chosen. The researcher is the main instrument for data collection in the interview method (Boeije, 2010). The interview is a “*form of conversation in which one person- the interviewer- restricts oneself to posing questions concerning behaviours, ideas, attitudes, and experience with regard to social phenomena, to interview (...) interviewees- who mainly limit themselves to providing answers to these questions.*” (Boeije, 2010, p.61) Interviewees share their story, knowledge and experience on a several topics. In addition, Steinar (2009) defines the interview is interaction and exchange between two partners, where knowledge is constructed. The purpose of an interview is to gain 'thoroughly tested knowledge.'

Type of interview

Two expert interviews were done with informants who had expertise in the field of interest regarding this research (e-commerce, bike market). Their expertise was crucial to answer the research questions. The interview questions need to correspond with the research topics in such a way that both parties know what the interview is about. (Boeije, 2010). The interviewer should master the topics to be discussed and the right language. A semi-structured interview approach was chosen with the aim to understand the themes and to obtain descriptions of the interviewee's lived world to enable the interpretation of the meaning of a described phenomenon. The interviews forms were of factual and conceptual nature. Firstly, a factual interview was appropriate to gain valid factual information about the research topics in a professional setting. Secondly, the interviews were conceptual, because conceptual clarification was one point of interest of this study. The questions had the aim to investigate the meaning and dimensions of the concepts/ indicators that were elaborated in the literature review. (Steinar, 2009)

Instruments used

During the interview session a interview guide with a topic list was used. The topics were based on the theoretical concepts in the literature review. Boeije (2010) warned that interview questions, answers and findings do not exactly correspond. But in this study this

was almost the case, because the a-priori developed theoretical concepts guided the empirical inquiry. Therefore a bridge between theory and practice was ensured.

Preparing data for analysis

Regarding the data management (storage and retrieval of data), both interviews were transcribed. The key informant interview (Mr. Leemkuil) was recorded and then transcribed. The background information interview with Mr. Baum was only transcribed in-situ during the interview, because his company does not allow any recorded interview participation.

3.2. Description of case study firm

ISMsattel.de (ISM) is a Born Global firm. Since its foundation, products are sold online and therefore *“the Born-Global-concept is most suitable regarding ISM”* (Mr. Leemkuil). ISM is a retailer for high-end, premium bicycle seats of the ISM brand. The main target group of ISM consists of the circle of amateur or professional riders and customers who have health problems riding with a normal bike seat. The ISM seat was designed by Steve Toll in 1995. In the aftermath, Mr. Toll founded the holding company ISM in the USA to manage the production and worldwide distribution. The concept design was US patent-registered in 1999. The design was further improved by aerodynamics experts and professional Tour de France-riders. ISM is the short cut for ‘ideal saddle modification. The distinguishing feature and USP of an ISM seat is the slot in the front saddle point. There are only two pressure points regarding the seat position, whereas a normal bike seat has three pressure points. ISM-USA is the official sponsor of several professional racers and Olympic teams. ISM seats were distributed in the Netherlands and Europe by ISMseat.eu as first entrant, First mover advantages were considered as important to rapidly gain market share. ISMseat.eu was launched 2006 in the Netherlands with the aim to promote the ISM brand and to increase the sales of ISM seats in Europe. ISMseat.eu is the umbrella holding for ISMsattel.de and ISMzadel.nl. The Netherlands was the first target country for promoting the product. The market knowledge and experience gained over there was used to conquer the European landscape. The awareness of the ISM bike seat grew in the first instance by mouth-to-mouth-marketing, online marketing, trade fair shows and by the sponsoring of local professional athletes. The demand for ISM seats grew bottom-up because many customers asked their dealers for ISM seats. Dealers were reluctant and ignorant to sell ISM seats because it was necessary to take time to explain the ISM

concept to the customers. By selling a mainstream product such as 'Selle Royale Italia' they save time and the margin is better. In January 2010 the German website was launched as part of the web-based entry mode strategy of ISM to Germany. ISM was the first entrant in the German market in 2010. But since then the competition has intensified. Firstly, there are other online shops who sell ISM seats. The second biggest e-merchant (after ISMseat.eu) is Senseosport. Secondly, intermediaries as Wiggles, Amazon and Rakuten became competitors who permanently undercut the recommended retail price for ISM seats, distorting the competition. Thirdly, there is a Dutch independent sales agent who visits bike dealerships in Germany. ISM plans to face those competition threats by strengthening the B2C activities via online marketing (highest margin to be gained), and by upgrading the B2B activities via telemarketing, contacting urologists, sports physicians, bike clubs, bike magazines and trade fairs. In the past, the ISM-NL company launched too many new bike-related brand products with the false hope that they will sell automatically. The enthusiasm was too high and the management of the original ISM brand was neglected. As a result ISM lost market share and the sales figures dropped (see table 5 and figure 12). Now, ISM plans to stabilize its remaining market share (could be 10%) and to refocus on its core competence: launching and managing up to eight innovative, first-entrant bike-related brands instead of twenty brands. ISM tries to differentiate itself from pure online shops by enabling customers to visit one of the four 'touch-and-feel centres' (Germany, Belgium, Austria and Netherlands). Customers are given the possibility to extensively test the seats. In 2014, the key serviced countries of ISM were the Netherlands, Germany, France, United Kingdom, Austria, Belgium and Italy. International turnover of ISM-seats (Germany and Austria) contributes approximately 25% to total turnover of ISM seats. The sales revenues and the number of sold seats are presented in table 5 and figures 12 and 13.

3.3. Data Analysis

Data analysis is the *“process of systematically searching and arranging the interviews transcripts”* (Boeije, 2010, p.76). The key concerns during the analysis stage are the organisation of data into 'manageable units and their integration into one consistent whole', the search for patterns in the data and lastly the sharing of important facts and lessons learned with others. Boeije (2009) mourns that very few standards and methodological conventions exist regarding the qualitative interview research in general.

Modes of analysis

There are no standard methods to crystallize out the key meanings and implications of the verbal content of an interview. In order to achieve a sound quality of the analysis the researcher should have sufficient knowledge about the covered research topics, should be sensitive towards the interviewees and should master the language and analytical tools of qualitative research (Boeije, 2010). The analytical tools such as coding (open, axial and selective) were avoided because they were not regarded as appropriate since the interview topics already represent the codes. The concepts that describe those topics were constructed in the literature review. Those concepts correspond with the codes, which built upon the a-priori theoretical conceptualisation. Normally, an interview analysis would consist of meaning condensation, meaning categorisation and meaning interpretation (Boeije, 2010). The researcher decided to follow the 'bricolage'-approach to interview analysis (Steinar, 2009), in which the analysis is done without following any specific methods and the researcher chooses by himself a method that fits the needs of this study at most: The 'bricolage' approach is a 'free interplay' of methods in the analysis stage that should pinpoint the relevant links and structures in a study (Steinar, 2009). Last of all, Steinar (2009) proposes to use the interview analysis effort as a simultaneous endeavour for theoretical reading and reflection.

Integrative procedures

The integration of data into a consistent format is the most challenging task of the research process, because even the literature about qualitative analysis is not addressing this aspect due to the vague, unique and specific nature of the qualitative research project. According to Boeije (2010), there is no general panacea how to integrate the data. She proposes that the researcher can make use of heuristics (thinking aids) to filter out the most meaningful parts from the data and to subsequently integrate those parts. Boeije describes ten heuristic devices, out of which visual displays, reading memos and the construction of arguments seem to be the most appropriate ones for this study. According to her, logical reasoning is the best guide to decide what data is tantamount to proof and inference, helping the reader to connect the data with the equivalent inferences. Moreover, there are two levels of reasoning involved: The first level concerns the logic of the informant's account. The researcher's claim must be grounded on plausible arguments. The second level of reasoning is about the study as a consistent whole in which the argument of a section builds up the line of argumentation of the whole report. That is why all parts of the research process are intertwined. (Boeije, 2010)

Summary

This dissertation has a qualitative research setup. The research has an explorative and descriptive character. It is explorative because the Born-Global phenomenon is fairly new and not well researched. It is descriptive, because to explore a phenomenon the researcher needs to describe this phenomenon by using the expert knowledge of both respondents. A postmodern approach to interview knowledge was pursued. A case study design was the main research design to integrate the knowledge gained from the interview and reports. The data selection was about the selection of two key experts of the bike market and the screening of sound business reports. A purposive and non-probability strategy was used regarding the choice of data sources. The main data collection methods were the semi-structured interview as primary source and business reports as secondary sources. Moreover, the respective case study firm, being ISM-NL, was described as born global firm. This chapter ends with the presentation of analysis tools: the bricolage-strategy and heuristics.

Chapter 4: Findings

In this chapter the results of the data collection and data analysis stage are presented to answer the research sub-questions (II, III and IV) in chapter 5. Firstly, the results of the interview (key expert and background knowledge interview) are given. At last the results of the report reading session are presented to enable a description of the German e-commerce market as host entry market for the focal Born Global firm, being ISMseat.eu.

4.1. Results based on the interviews

The findings are based on in-depth focus interviews with two experts. The main reference interview was done with Erik Leemkuil, the founder of the Born-Global ISMsattel.de- the focal firm of the case study. An investigative background interview was done with Siegfried Baum. He is a regional head manager of sales and distribution for Hart. Hart is a B2B wholesale company that distributes service parts for bikes, motorcycles and cars to dealers. Hart was founded in 1896. It is a typical example of a family-owned 'Mittelstand'-firm. Its organisation form is a private limited partnership ('Kommanditgesellschaft.'). Since 2008, Hart has an office in the Netherlands and since 2012 Hart branched out into other European markets. Hence, Mr. Baum is regarded as expert of German bike market. Unclear concepts were explained to both interviewees to ensure conceptual clarity and to enhance validity.

Type of company: Classification as born-global

ISM is a Born-Global firm, because since its foundation products are sold online: *"The Born-Global concept is most suitable regarding ISM"*(Mr. Leemkuil). Key countries are the Netherlands, Germany, France, United Kingdom, Austria, Belgium and Italy. International turnover of ISM-seats (Germany and Austria) contributes 25% to the total turnover of ISM.

Psychic distance

Possible cultural differences between the home (NL) and host country (Germany) are not playing a pivotal role: *"I do not perceive any cultural differences"*(Mr. Leemkuil). Although Mr. Leemkuil is aware of them, they are not decisive factors. The key interviewee (Mr. Leemkuil) mentions that he was surprised that Germans are inclined to follow a strict hierarchical line in business. Moreover, language is used in formalized and hierarchical way: *"I have the feeling that the hierarchy is embedded in the system."* Mr. Baum corroborated this view: *"The business culture is more structured here in Germany."* A problem was to differentiate in which contexts Mr. Leemkuil should interact with customers in a formal way and when an informal approach was more appropriate.

Another point of attention is the generational gap between the customers under 30 years and customers above 50 years.

Regarding the buying decision criteria, the price is playing a pivotal role in Germany, whereas respectability and quality are highly valued in the Netherlands, more than in Germany. (Mr. Baum)

Internet as a driver for globalisation and homogenisation of markets

Mr. Leemkuil shares the opinion that internet is a driver for the homogenisation of markets and the business world. English will be the leading language. The respondent (Mr. Leemkuil) has some reservations because the further development of the internet is hard to assess: *“What you are thinking now, tomorrow it is 'all water under the bridge'.”*

Role of the internet and benefits and problems of e-commerce

Role of the internet

Internet is playing a key role. In the pre-internet era, there was an asymmetry of power between the bike dealerships and the customers: *“What the dealers said was truth “* (Mr. Leemkuil). Nowadays, the customer is empowered and more knowledgeable than the dealer, because when the customer is interested in a product he simply looks up all the product-related information online. Two years ago, ISM took part in a bike-related trade fair in Utrecht. On the public days, customers were hugely interested in the products, but on the professional days there were hardly any interest on part of the dealers. This shows the reversed relationship between customers and dealers in the internet era. The offline dealers are stuck in a vicious circle, neither seeing a way out, nor spotting the opportunities of the e-commerce. Because many die-hard dealers think in old-fashion ways they do not have the innovative products in store that are requested by the customers. This is a good explanation how the internet is transforming the trade landscape. Those offline dealers do not know how to face the e-commerce threat. As an e-merchant ISM returns to the basics: ISM is a direct importer and directly sells to its customers (either B2B or B2C). Many stages of the supply chain such as the wholesalers and brick stores are leapfrogged, hence disintermediation becomes a reality. Transaction costs are saved and the profit margin is increased. The profit margin of ISM is 2.2, meaning that if a wholesale price for a seat is for example 100€, the online sale price being 220€, the profit amount is 120€.

Benefits of e-commerce regarding the internationalisation of SMEs

The internet has led to a reduced asymmetry of information and power, because the front-end customers turned into knowledgeable, empowered consumers who search online for the best offer. In this equalized playing field small e-merchants have a direct contact with the end-customer, leapfrogging the wholesale or brick merchant, distribution agent or sales representative (disintermediation). To build up a website as sales channel is nowadays very easy to do without possessing any technological knowledge by using software such as Shopfactory and payment solution providers like Klarna or GlobalCharge. Afterwards this default website can easily be copied as a template for other country websites. The velocity of stock turnover is increased because more products are sold. At ISM the average stock consists of 20 seats. In Mr. Baum's view, the benefits of the e-commerce are the larger customer group and that it is not location-dependent. Lastly, online shops can offer a better price due to lower cost and a quicker delivery service.

Risk and problems of e-commerce regarding the internationalisation of SMEs

One of the main disadvantages is that the consumer is overly protected by laws, because the legislators (EU and the national government) assume that mostly fraudsters are active in the web. But those regulatory institutions forget that consumers also face a certain risk if they shop offline. It was a huge problem until June 2014 that online merchants were required to reimburse the shipment cost of the return delivery to the customer. (Return quota at ISM: 10%)

A further point of challenge is to induce the online customer to actually buy the seen goods. For example, in store the salesman has an intuition when a customer is in the right mood for shopping. Eventually a trust relationship is created. This intuition, trust relationship and face-to-face interaction are difficult to clone during online shopping. ISM is trying to create trust and interaction by offering a live chat application. Moreover, ISM is using customer profiling (Google Analytics) by inspecting in situ what kind of customers are visiting the website with the aim to proactively interact with them to induce them to buy. Mr. Baum stated two disadvantages of e-commerce: Customers often order the wrong product and e-commerce lacks the sound consulting service by a competent, qualified merchant that a brick store provides.

Knowledge and resources

Role of international experience and knowledge

Regarding the international knowledge, ISM did not possess any knowledge before entering the German market. The attitude of the founder was: *“Just start and see what you are encountering.”* International contacts were established with the inventor of ISM seats in the USA, Steve Toll, and a wholesale agent in Taiwan.

Regarding the technological knowledge, the approach used by ISM is learning-by-doing. For example, the founder learned by himself how SEO and the shop operating system ‘Shopfactory’ work. A knowledge-management system is not existing, nor needed or desired by the founder, who has confidence in his own mental knowledge base, intuition and forwardness.

Resource deployment regarding the country commitment

The resource commitment to Germany was reduced in the last two years, because the focus was laid on the introduction of new brands of innovative bike-related products in the Netherlands and Europe. Due to this mistake, ISMsattel.de has lost market share in Germany in 2013 to its rivals Wiggle and Senseosports.

Value creation (Amit ,2001: efficiency/ complementaries/ lock-in /novelty)

For ISMsattel.de novelty is a driver to entice new client. Every year ISMseats (the US parent holding) is introducing one or two new seats and other diversified bike racing parts. Furthermore, lock-in is a goal, for ISM because by offering a comfortable and robust design, ISM wants to capture customers as Apple has done this with its 'proprietary design system'.

Market entry

Selection criteria for market entry mode

The decision to entry into German market was purely based on instinct of the founder and logical reasoning. Firstly, the German and Dutch language have many commonalities. Secondly, because of the perception of many business partners of NL as a part of Germany, the entry and commitment to the German market was reasonable: *“If the sales potential exists in NL, there must also be one present in Germany. Everywhere there are customers, who have pain caused by wrong bike seats, therefore nationality is not playing any role.”*(Mr. Leemkuil). Other relevant criteria were the opportunities to be the first

entrant in Germany and economical factors such as EU internal market and single monetary union with the Euro, being supporting factors.

Entry strategies

Entry strategies can be categorized into several dimensions (Gabriellson, 2011). The main dimension to classify entry strategies are direct and indirect strategies on the one hand. Otherwise one can differentiate between traditional offline strategies, online strategies and hybrid strategies such as the 'click and mortar'-strategies.

In 2006, ISM was starting with online selling. When more and more customers demanded the possibility to touch, feel and test the seats, ISM switched to a hybrid strategy, underscoring the symbiosis of offline and online trading. Nowadays, estimated 60% are online customers and 40% are offline customers, both B2B and B2C. Many customers are attracted by mouth-to-mouth-marketing, via networking events on trade fairs or simply by SEO. To Mr. Baum's mind, amateurs "*idolize professional 'Tour-de-France' racers - (hence) they can best be approached by professional bike magazines, blogs, product test sites in those magazines*" (Mr. Baum). Following the online strategy is feasible, but the end-consumer must perceive the product. According to Mr. Baum, traditional marketing methods such as event-marketing and wholesale promotions are suitable to entice customer to buy the seats. Moreover, it is "*important to have a well-acknowledge brand name*" (Mr. Baum) and to work together with a brand distributor. An online strategy is the right choice to reach the discerning target group of ISM, which are amateur/professional bike racers. Those consumers fix and upgrade their bikes as do-it-yourselfer: "*Doing a lot via the internet, they do not go to merchants, because the internet is cheaper*" (Mr. Baum). In general 80% of them buy online and 20-30% of all service parts are sold online. Contrarily only 10% of complete bikes are sold online because shipping is complex and the set-up of the bike is service-intensive. The racing community as target group is huge in Germany, consisting of approximately 10000 (according to Mr. Baum) or more race freaks. Consequently this is a large potential target group pool for ISM.

Entry market problems

ISM did not face any insurmountable problems, just minor ones regarding the language and money collection from foreign customers. Mr. Baum agrees that language is a possible entry barrier, because all the communication materials (website, flyer) need to be written in perfect German. If ISM wants to traditionally distribute the seats via stores, ISM

needs to overcome the resistance of merchants regarding new, innovative products and their counter-productive standpoint of the e-commerce. Mr. Baum mentions that new entrants into the German bike market should be aware of two factors. Firstly, the weather has a huge impact on the revenue of +/- 10%. Secondly, the high unemployment rate in some German regions has repercussions on the sales figures.

Market commitment (demand, risk, uncertainty)

The risk potential corresponds with the normal risk level of business undertakings in general (stock management, level of costs).

The uncertainty perception of ISM concerning the entry decision equals 0. Thus it is not an issue. Moreover, the risk is even reduced: *“If a firm expands its market, the turnover rate of products is increased, hence the risk is lower”* (Mr. Leemkuil). It is difficult to forecast the demand, because the founder does not know how to forecast the demand and is acting on pure intuition. He thinks that a market share (high-end race bike seats /online and offline) of 10% is feasible for ISM.

Internationalisation

INT motives

The internationalisation motives for ISM are profit maximisation and international market expansion. Following a balanced path, benevolent motives such as creating value for customers are vital: A firm should *“intend to help the customers, not thinking always in monetary terms.”* This high customer focus is exemplified in the sponsoring proposals to some customers. If a customer perceives his chosen bike seat as too expensive, ISM offers them a free trial period.

Internationalized business activities/ integration and coordination of activities

ISM perform all activities except logistics in-house to have the control over them and being able to react rapidly. ISM only has outsourced logistics to GLS (a German parcel service). In the future, the SEO may be outsourced to a German service provider of SEO. Those firms are more knowledgeable than ISM on how to entice German customers to the website. Those services use extensive customer profiling to stimulate the visitors to buy. Because all activities are managed in-house and only logistics is outsourced, the integration and coordination is very high in case of ISM. The 'touch-and-feel centres' are decoupled from ISM, operating independently.

Location advantages

ISM is headquartered in the Netherlands near the German border in Bathmen, although *“location is not an important factor, because we (ISM) sell online.”* The choice for Bathmen was based on its location near the highway, an affordable rent and healthy life-work balance for the founder. Some customers visit the office to see and touch the seats, hence a good site accessibility is a facilitator.

Subsidiary intentions

ISM intends to open two ‘touch-en feel centre’ in North Rhine-Westphalia, because more customers than assumed want to see and test the seats before buying them. There is also one centre in Belgium and Austria, established at the home base of very enthusiastic customers. Having a own branch is profitable because a firm can stimulate and steer the market by its own. Furthermore, by enjoying direct cost sharing and direct profit contribution, a firm does not have to share the profit with intermediaries like distribution agents. (Mr. Baum). Contrary to Mr. Leemkuil, Mr. Baum holds that *“a subsidiary is not necessary for race seats”*, because such a subsidiary is usually a necessity for the sale of traditional bike parts.

Unique resources, competence and knowledge

The most important resource in case of ISM is the unique product concept. the ISM seat is a high-end, professional racing seat that promises to eliminated all seat pain due to its engineered, tested and patented design. Another unique competence is the networking capability of the founder. This capability helps him to source new innovative bike products and then to launch them, being the first-entrant. Mr. Leemkuil underscores the importance of fierce determination and the confidence in one’s own intuition. The unique knowledge consists of how to source, market and sell innovative bike products for bike amateurs, professional and customers with health issues. According to Mr. Baum, innovative products contributes 10-20% to the total revenue in the German bike market, hence innovation of products is crucial.

Internalisation strategy and vision

In the future ISM will follow a market concentration strategy, by focusing on the key countries including France. Moreover, ISM will be managed under the umbrella of the ROSSIR overarching brand. The marketing approach will be globalised, meaning the

ROSSIR-website will service all countries for all products. A market exit is envisioned from the East-European countries (Poland, Slovakia, Czech Republic) as the URL-contract expires.

Pre-internationalisation, internationalization and post-internationalisation stage

In the preINT-phase, the aim was to raise the product awareness in the home country (Netherlands). In his past job, the founder worked as sales representative for a bike wholesaler. By visiting and speaking to customers he became aware of the customer-side interest in new innovative bike accessories like the ISM seat. Mostly, merchants and wholesalers refused to register those products in their product catalogue and to distribute them. The ISMzadel.nl website was launched in 2006 and within one week the first seat was sold online. The choice for an online selling strategy was made based on two aspects. Firstly, the product can be easily promoted online via SEO to raise brand/product awareness. Secondly, pain is a very private issue not to be discussed face-to-face but via e-mail or phone. Secondly, during the INT-phase, Western Europe and especially the German market were approached as first-entrant. ISM perceived this international market expansion strategy as promising business opportunity. Thirdly, a postINT-phase is not relevant, as an exit from the German market is not planned because the marginal cost of the website maintenance are covered by the sale of just one ISM seat. The sale of any second seat in a year is already contributing to the profit.

Switzerland is not serviced, because it is not belonging to the EU. The increased servicing costs are incurred among other things by the logistics, export documentation requirements and currency fluctuations.

International growth strategy for the next years and for the long-term horizon

In the future the product/brand website management will be more streamlined. More weight will be put on the ROSSIR.com website as launching and overarching site for all countries and products. The aim is to have a unifying approach: one brand-promoting site for all countries. Via the ROSSIR website highly innovative bike products such as helmets, wheels and other equipment are sold. The main target group will be price-insensitive amateurs and professionals worldwide.

In the past, too many brands (20) were managed. The founder enthusiastically believed that it was sufficient to launch new brands into the market and the products will be sold automatically. But in 2013, the about-face happened and a balanced brand management

was envisioned, refocusing on the management of eight key brands. Thus international market expansion will be highly focused on the ROSIIR.com website by using SEO, and on doing more offline networking and sponsoring on trade fairs like Eurobike in Friedrichshafen or Bike MOTION Benelux in Utrecht. ISM is autonomously growing, because *“at the moment, there is no other possibility to grow without an external investor. “*

Strategy management approach

ISM is pursuing an ad-hoc strategy management style. A formal strategy planning system is non-existent, since the general manager considers such a system as futile. The ad-hoc style represents the best fit with the ISM needs, because it is difficult to forecast the demand of seats and because the peculiarities of e-commerce require this flexible, non-bureaucratic and simple approach. Regarding strategy planning and decision making, the managing founder describes this ad-hoc style as muddling-through approach.

Niche strategy

The focus on a niche is enabling the market survival in an intensifying competition field. ISM trades niche products with established brand names which are easier to sell and the profit margin is higher compared with mass market products such as ‘Selle Royale’ seats: *“In case of a small company niche is a better strategy to yield higher revenue with a lower sales volume. In case of medium-sized company a mass-market strategy is suitable to cover the higher costs”*(Mr. Baum). By using a niche and brand approach, ISM can advise the individual customer with appropriate care. In addition, ISM becomes attuned to the global big trend of health trends, offering its customers a way to bike longer and more comfortable without any pain. Customers with pain start to look for themselves for a solution, by asking their physician or Google. Hence, SEO and trade fairs are used to directly attract new customers.

Lack of resources

The lack of resources (financial, human and knowledge) curtails the international growth of ISM, because the founder needs to do everything by himself, having no resources and time to concentrate on the management of international growth. The founder is searching for an investor or partner to change this imbalance. Eventually he wants more time and income to develop new ideas.

Coping strategies to overcome business constraints

Freeman (2006) elaborates five different coping strategies such as extensive personal networks, collaborative relationships with other larger actors, client follower-ship, use of advanced technology or the use of multiple entry modes. Firstly, the networking with customers via the internet or via trade fairs and the intense collaboration with the inventor and suppliers are essential for ISM to raise its product awareness on the one side and to secure the supply of new seats. Secondly, advanced technology such as Shopfactory, SEO or online payment tools are used as well. Lastly, ISM uses multiple entry modes as described above.

Future /sustainable competitive advantage

In the last 4 years, the competitive landscape for ISM has changed dramatically. ISMsattel.de was the first entrant selling ISM seats in Germany via e-commerce. Nowadays, there are two main online competitors, Senseosports and Wiggle/Amazon, and an offline distribution agent. There is a tacit agreement between ISM retailers to avoid any shipments to Wiggles/ Amazon and to apply the recommended retail price. The aim for that is to avoid any further erosion of the price level as this was achieved by Wiggles. To stabilize the competitive advantage, ISM plans to improve its B2B sales and to strengthen the B2C channel. In B2C field, the profit margin is the highest. Just to know, Hart as wholesaler distributes 'SMP' and 'fi`zi:k' by 'Selle Royale' as mainstream brands for high-end bike seats. According to Mr. Baum also the online bike-related stores like fahrrad.de or bike24.de are key competitors of ISM. Approximately 75% are established online dealers. He estimates that approximately 50% of new bike-related entrants/starters fail, because *“they neglect the core business aspects such as having a good management of procurement, logistics and enough manpower.”* Furthermore, the price pressure is very high due to the fact that customers compare prices daily and on EU/global scale to get the best deal, hence *“online dealers have (often) no margin and profit on some products.”* In addition, many brick stores evolve into competitors as *“many merchants now have direct online shop or they are using intermediaries like Amazon and Ebay.”* Due to the customer churn towards online trading, those traditional bike stores are forced to use a ‘click and mortar’- strategy in which the merchant is just responsible for the logistics and shipping of the ordered goods. (Mr. Baum)

Key success factors of Born Globals

[Knight, 2004: global technological competence, unique product development, quality focus] and Dimitratos, 2003: sufficient human, financial capital, global vision and experience of founder, competent networking, customer-oriented focus]

Regarding Knight's factors, global competence, unique product and quality focus are the key success factors of ISM according to Mr. Leemkuil. Mr. Baum agrees that an online bike parts shop needs to focus on high quality products. Besides, the e-merchant should be able to deliver its products within three days and its website infrastructure should run without any blackouts, providing up-to date information and availability data of the products. (Mr. Baum)

Concerning Dimitratos' factors, experience of founder, networking and customer-focus are other KSF for ISM. In Mr. Baum's view, „*networking is important regarding the bike business, to get the product launched into the distribution channels*”. A firm should also use trade fairs such as the most important one, Eurobike in Friedrichshafen, to establish personal contact with sales agents of other players. The managing director of ISM has a direct relationship with the inventor of ISM seats in the USA and established many business contacts on trade fairs such as the Eurobike in Friedrichshafen. Concluding, the networking ability is an imperative to promote the product awareness.

Born-Global as hype

Born Globals are not a hype, because internet selling is being reinforced and rising. Firms like Amazon, Bol.com and Zalando oust the smaller e-merchants and 'brick' firms. Those bigger players use a skimming strategy and often have a negative profit margin (Zalando and Amazon). The internet is not an even playing field and the uncertainty is high because many firms go bankrupt: “*Firms that are perceived as stable can bust.*” Big players use a formal strategy management, but small firms use a kind of ad-hoc strategy management approach since “*the focus on perfect plans is useless*”(Leemkuil). Mr. Baum agrees that “*e-commerce is not hype.*”

Government policy

In the view of the founder, it is the responsibility of the firm to solve all the problems by themselves: “*A firm focuses on its customers and not governmental rules.*” Information about relevant EU-rules is searched for on an ad-hoc basis, when that knowledge is needed to solve a certain problem. The task of the government is to create an accommodating business setting and infrastructure. Nevertheless, the Dutch business

association (Kamer van Koophandel) could better inform the firms about EU rules. (Mr. Leemkuil). According to Mr. Baum, the government (Bundeskartellamt, EU-bodies) should stop supporting only the e-commerce side, because the e-commerce is eroding price stability as big online dealers such as Amazon and Wiggle permanently undercut the recommended retail prices. According to a regulation of the Bundeskartellamt (June 2014), a producer/ wholesale company is *“not allowed to forbid the delivery to online shops, even when online dealer undercut the recommended retail price. Now there is a lot of disturbance in the market. Although price stability is wanted by traders, it is not achievable because the recommended retail prices are continuously undercut by online dealers.* “Furthermore, EU-rules are not beneficial for the German bike market and the professional customer service. For example, now everyone can open a bike shop without a master craftsman’s diploma and without any professional expertise. This is damaging the good reputation of traditional merchants that offer a high customer service. According to Mr. Baum, *“the one-fit all idea of the EU-idea is not working, because every country has its own trading and market structure and customs.”* Therefore, the national government should lobby in Brussels for a more practitioner-friendly regulation that takes into account any potentially negative consequences for firms and stakeholders.

4.2. Results based on secondary sources

To answer the third research question several reliable secondary sources have been screened for relevant information about the German e-commerce market. The following section is the result of the reports reading session. In the introductory section, the key indicators of the German economies and data about the German bike market are presented. Afterwards the German e-commerce market is described extensively to show the reader that it is a promising market, but that an entrepreneur needs to be aware of the potential pitfalls.

The German economy market and bike-related data for Germany

According the OECD, the German *“economic growth is expected to strengthen“* (OECD, 2014). Germany's GDP, being 41098 US\$ per person (OECD, 2014), is expected to grow by 2, 1% in 2015. Germany’s current account surplus is on 'historic highs', being 7,4% in 2015. GfK estimated a total purchasing power of €1,705.4 trillion for Germany in 2014; this is €21,179 per inhabitant (GfK, 2013). The trading volume between the Netherlands,

being the home country of ISM, and Germany, being the host country, was 169 € bn in 2013. It is one of the biggest trading volumes worldwide. The geographical closeness and the sheer magnitude of the German market are the most important drivers contributing to this large trading volume (DNHK, 2013). Unemployment is low with 4,9 % and consumer price inflation stays at 2,25% rate until the end of 2015 (OECD, 2014). The key economic indicators that are presented in figure 14 testify the sound economical stability of Germany. The red line represents the German trend, the blue line stands for the OECD's mean.

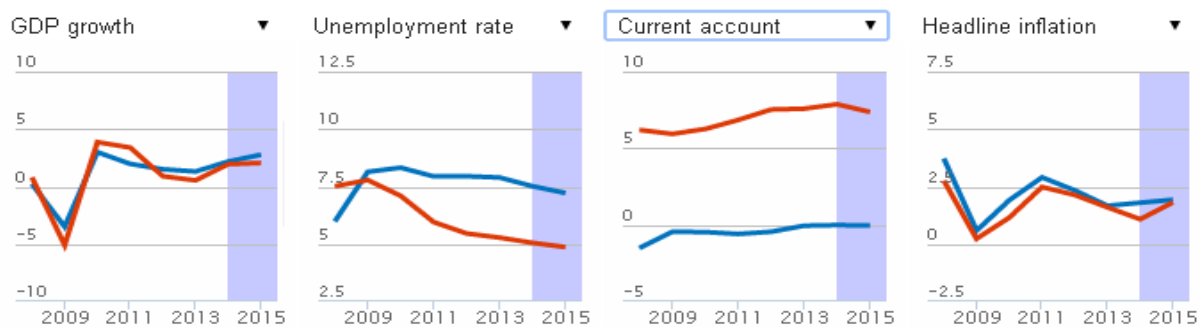


Figure 12: Economic indicators for Germany 2009-2015

Source: OECD, 2014

In the World Bank's 'Doing business'- report, Germany scores the 13th position. Regarding the ease of trading across borders Germany is ranked 18th out of 189 countries. (World Bank, 2014)

The German bike market

In Germany, there are 2.4 bikes per household (ADFC, 2013), in total 71 million bikes exist in Germany, up from 67 million in 2005 (Statista, 2013). The city bike is the most used bike type (39%), then the mountain bike (26%) and the trekking bike (24%). The production and sale of bike-related parts achieved a turnover of 260 € million in 2012, up from 171 € million (+52%) in 2002. (Statista, 2012)

4.2.2. The German e-commerce market

Germany has one of the most attractive e-commerce potential in Europe (Germany Trade & Invest, 2014), with more than 200000 web-shops. The A.T. Kearney Global Retail E-Commerce Index 2013 ranks Germany as 8th most potential e-commerce market in the world. It is ranked as 2nd within Western Europe after the UK. A.T. Kearney characterizes the German e-commerce market as 'established and growing', forecasting a growth rate of 12% per year until 2017. This is the highest growth rate that is expected for the Western European countries. (A.T. Kearney, 2013).

The German e-commerce market has a huge sales potential, but firms need to be aware of the pitfalls as well. It is a highly competitive market with low prices, but high advertising cost. Customers demand a 'free-return'-option and a sound support service. Finally, the legal advice for firms is usually free, following the no cure, no pay principle. (DIBS, 2014)

Evolution of the online turnover and online shoppers

The turnover of e-commerce grew to approximately € 48,4 bn in 2014 from € 18, 3 bn in 2008. The growth rates expressed in turnover was 16,8% in 2011, 21,6% in 2012 and 42% in 2013. In 2014, the growth rate decreased to 24,8%, it is expected to remain positive for the mid-term time horizon. Although the growth rate is slowing down on a yearly basis; its trend signalizes the break-through of the e-commerce in Germany, because e-commerce is adopted by a large part of the population. (Ecommerce Europe, 2013) The German e-commerce market was labelled by as mature market with a great growth potential by Ecommerce Europe. In 2012, Germany had 37 million online shoppers, growing to 45 million customers who bought goods and services online - this are 76% of all internet users above 10 years (DeStatis, 2014). Tables 8 shows the increase in the amount of internet shoppers and online turnover from the years 2008 until 2016.

Years	Amount of internet shoppers	Turnover of e-commerce in €
2008	35 million	18,3 bn
2012	37 million	27,6 bn
2013	45 million	39,1 bn
2014	-	48,4 bn
2016	46 million (forecasted)	53, 6 bn (Statista, 2014)

Table 5: : Turnover of e-commerce and amount of internet shoppers

Source: created for this research

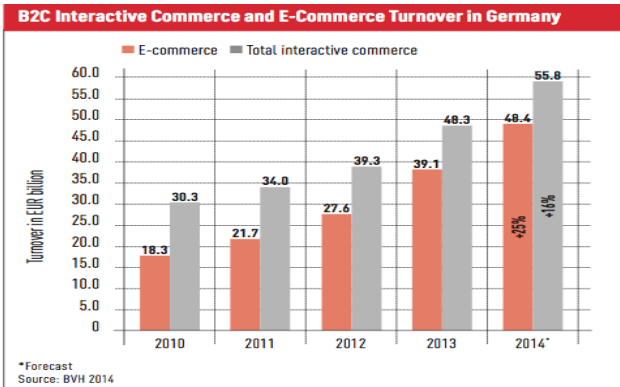


Figure 13: Evolution of the German e-commerce turnover, 2010-2014

Source: Germany Trade & Invest, 2014

Used online sales channels and types of the most bought online goods

Online market platforms like Ebay or Amazon were the most successful online sales channels with a €26,7 bn turnover in 2013. Multichannel e-commerce firms had a turnover of €7,4 bn, whilst 'internet-pure-players' are ranked 3rd with a turnover of € 4,7 bn. In the following figure 18 the most bought goods and services are represented, with books being ranked 1st (64%), fashion items being 2nd (60%), and music-related items score 3rd.

Negative experience with online bought goods

8% of all internet users do not take part in any internet shopping and have no experience with it. They prefer to feel and touch the products they buy (71%). Moreover, they feel neglected by not getting any personal advice (61%) or they perceive online ordering as too complicated (42%). 41% of the offline consumers are afraid of data misuse, 41% do not have any confidence in the service and guarantee clauses and 26% are concerned with non-delivery. (Bitkom, 2013) Altogether nearly 60% of all buyers have experienced negative aspects of online buying such as annoying advertising, delayed delivery or wrong or damaged delivered products. In reality, 20% of all online shoppers received wrong or damaged goods, 10 % experienced non-delivery, and 5% of them have fallen prey to online fraud (Bitkom, 2013). To avoid any negative experience, online shoppers often use reference sites as shopping guide: 73% of all shoppers read product reference before buying and 35% writes references themselves for other shoppers. One intriguing finding is that only 2% of all online shoppers share what they have bought on the social media. (Bitkom, 2013)

Online consumer demographics and behaviour

A.T. Kearney labels Germans shoppers as smart, spending 90 minutes online per person and day. They are especially interested in obtaining best buy offerings by using price comparison engines like Idealo, Preisvergleich or GoogleShopping. In total, 54 million people in Germany, thus 77% of the population are regularly online and 42 million purchased online goods and services in 2013. Nearly 100% of persons aged between 15 and 29 years shop online. They are the most active group of internet shoppers. 78% of the 16-24 years did online shopping in the last 12 months (2013), 89% in the age group between 22-44 years and 59% of the seniors. Figure 16 shows the percentage of persons (sex, age) that shop online (Statistisches Bundesamt, 2014 and Eurostat). Women shop online for € 25,8 bn (53,4%) and the share of men is € 22,5 bn. (BEVH, 2014)

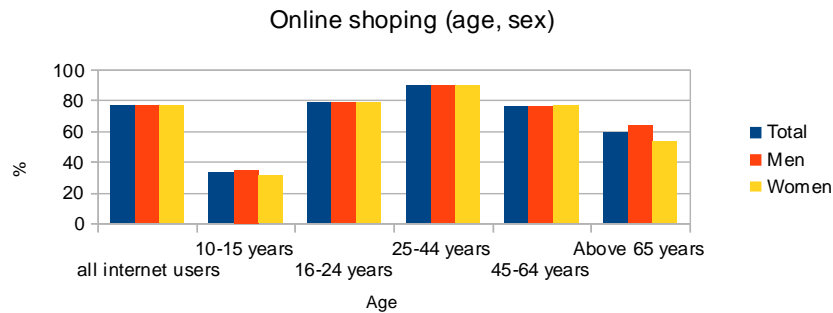


Figure 14: Online shopping frequency per sex and age group

Source: Eurostat, created for this research

Online expenditure and payment preferences

The online expenditure per online customer was € 1100 in 2014, 22 % up if compared to 2013 (Germany Trade & Invest, 2014). In 2013, German online shoppers mostly used the online bank transaction as most preferred payment method, 29% bought on account, 10% used the credit card, 9% a direct debit option and only 6% the advance payment solution (Germany Trade & Invest, 2014). Payment per smartphone is for 74% of all buyers not a trustworthy and feasible payment option.

Best agers as most attractive customer group

KPMG advises firm to focus on the best agers customer segment. 'Best agers' (persons above 55 years old) belong to the 'silver generation'. They are especially interested in health and wellness trends. They demand products that fulfil the promises of vitality, joie de vivre and juvenescence. 'Best agers' are the most attractive target group because they possess the highest purchasing power (2030: € 413 bn). In 2035 the consumption share of people above 50 years will amount to 58% (Kurzeja, 2013). 87% of all best agers admit of having done shopping at least once time. The 'best ager'- group will have a stable share of 20-24% in the age population until 2050. This is a certainty factor firms in a complex business world of today. (KPMG, 2012)

Broadband internet access of households/ firms and internet use by firms

Broadband internet access is a very important location factor in the knowledge economies of nowadays (Destatis, 2013). In 2002 only 43% of private households had internet access, 69% in 2007 and lastly 82% in 2013. All in all, 79% of all internet users had an age above 10 years. (Statistisches Bundesamt, 2014 and KPMG, 2012). As shown in figure 17 there a vast differential in the internet use regarding the age group. Nearly 40% of the seniors uses the internet. In contrast, 100% of the younger generation (10-44 years)

makes use of the web.

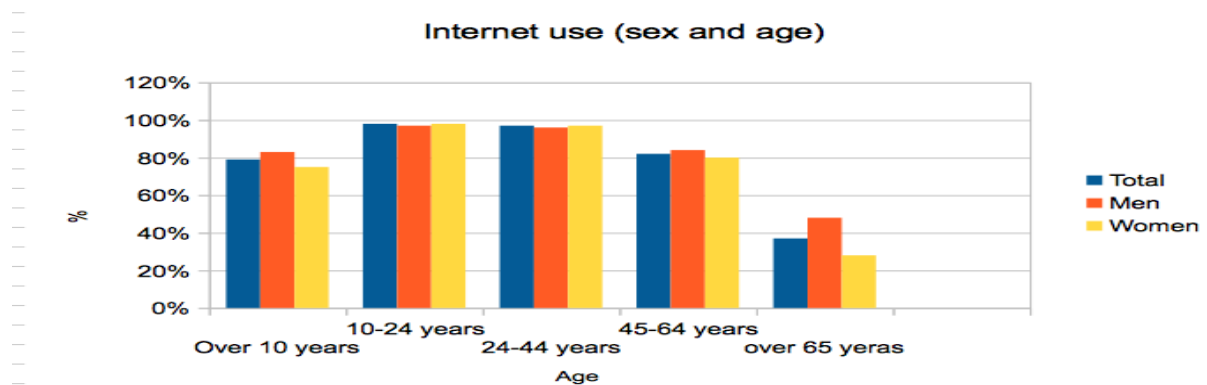


Figure 15: Private internet use per sex and age group

Source: Eurostat, created for this research

It is problematic that only every 4th internet-using firm (with more than 10 employees), thus 25%, had a fast internet access with over 30 Mbit/s in 2013 compared with 16% in 2009 (see figure 22). 16% of firms have no broadband access, 8% of all firms only had slow ISDN or analogue internet access. Germany is only amongst the middle-ranked countries in Europe regarding the internet broadband access of firms. In contrast, Denmark, Belgium and the Netherlands are the forerunners in Europe in which respectively 44%, 41% and 41% of all firms have a broadband internet access. (Destatis, 2013)

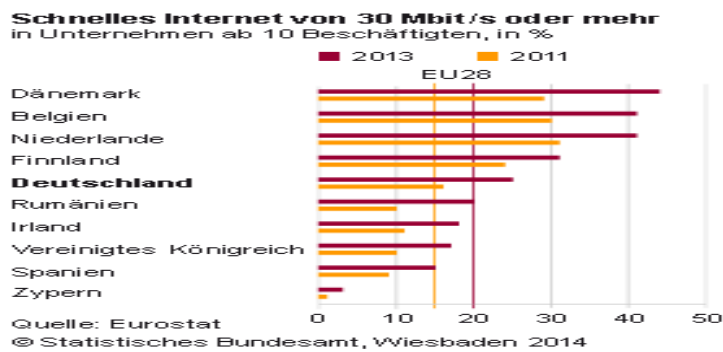


Figure 16: Broadband internet in Europe

Source: Statistisches Bundesamt, 2014

The internet is a precondition for firms to be able to take part in online trade (offering and buying). In Germany 66% of all firms had their own website, 37% used social media for their exchange with business partners. 49% of all German firms used e-commerce to buy and sell inputs and outputs via online trade. The share of e-commerce in the total turnover of firms was 12% in 2012. (Destatis, 2013) In contrast, private persons use the internet primarily as decision-making tool for online shopping: Before the actual buying transaction,

58% do this by using price comparison engines, 51% get inquiries from the original provider and 35% use blogs.

Fallacy of overestimating the impact of e-commerce

In 2013, online retail contributed only 6,6% to total retail volume (E-commercenews.eu, 2014). BITKOM asserts that new technologies propel the merger of online and offline trading, creating a reciprocal relationship between them. This is the case, for example, when customers furnish information about products online and then shop in-store (87%), or otherwise (71%). It will take decennials before e-commerce with its double-digit growth rates will overtake the in-store shopping. One down-to earth fact is that most customers still prefer to buy in-store and not online for 9 of 11 main groups of products (Germany Trade & Invest, 2014). KPMG warns that that the high growth rates cloud the fact that online shopping had only a 6% share of the total retail turnover in Germany in 2012. Moreover, online trading will contribute 25-30% in 2025 to the total retailing turnover (3Sat, 2014). Thus, it is a fallacy to believe that online shopping will exorbitantly substitute in store-shopping - at least until 2020. (KPMG report, 2012)

Conclusion regarding the German e-commerce market

Concluding, the German e-commerce market has a huge potential for new market entrants, but firms must be aware of and safeguard themselves against possible hidden risks, which are often undetectable in the cloud created by the internet hype. Especially firms must take into account the new trends in e-commerce such as the shift from PC to tablets and mobile shopping, social commerce and new delivery and return options like click and collect option. All those trends will strengthen the e-commerce uprising.

Summary

In this chapter the results of the two interviews with experts of the bike market were given. In the next section, the results of the report reading session were stated to enable insights into the German economy in general and into the German bike market.

Chapter 5: Discussion and Conclusion

This final chapter is primarily based preceding chapter. The four sub-questions that made up the guiding research question will be answered separately. Then the question if a re-examination of the internationalization theory is discussed. Lastly, the quality considerations of this study are presented.

In this chapter the most important outcomes are succinctly summarized per sub-question. Conclusions are given as a final answer to those questions. In the end, my aim is to give some general recommendations for Born-Global firms. For reminiscence, the guiding research question was: What factors are influencing the strategy of a Born-Global firm regarding the entering of a host e-commerce market? The guiding research question was split up into four sub-questions which are answered separately.

5.1. Regarding sub-question I: What are Born Globals?

This question was approached by using theoretical and empirical insights. In section 2.1., I used the most recognized definition of Knight (2004). Born-Globals are internationalising firms that “*expand into foreign markets and exhibit international business prowess and superior performance from or near their funding*” (Knight, 2004, p.124). Three mega trends contributed to the emergence of Born Globals, being the liberalisation of markets, huge advancements in the ICT technology and the new economy structure (Dimitratos, 2003). Our theoretical and empirical inquiry revealed that Born Globals do not follow the traditional stepwise pattern of internationalisation, but they internationalise early and rapidly right after their founding, although their resources are scarce. The rapid internationalisation is enabled and mediated by the internet. A small domestic market is often the launch pad for Born Globals to internationalise. In contrast to a corporation, Born Globals lack bureaucratic structure and heritage. Born Globals use this advantage as vacuum to operate flexibly. Born Globals depend highly on the personal inputs (experience, relations or knowledge) from their founders or managers to succeed. Especially the industrial knowledge, business experience and business contacts of those agents are the building rocks for Born-Globals. To be classified as a Born-Global, a firm needs to fulfil at least three key conditions: Firstly, Born Globals internationalise within three years after their foundations. Secondly, at least 25% of their foreign sales come from abroad. Lastly, Born Globals possess either a unique technology or a superior and innovative design or a highly specialized competence.

ISM as Born Global

According to Mr. Leemkuil *“The Born-Global concepts is most suitable regarding ISM.”* ISM fulfils the three qualities of a Born Global: Firstly, ISM followed an international strategy right from its foundation. The internet enabled the internationalisation of ISM right away, since ISM started direct online selling to service international customers. Mr. Leemkuil recognised the international niche by offering a bike seat with a unique design. Mr. Baum corroborates this importance that the e-merchant employs a brand and niche. Moreover, ISM did not follow a traditional internationalisation path. Internationalisation stages were leapfrogged by using a direct and online sales strategy in the first instance. Secondly, international sales contribute 25% to the total turnover. Key host target countries are Germany, France, United Kingdom, Austria, Belgium and Italy. Additionally, ISM has used the home country as launch pad to internationalise into Germany. The market knowledge and experience collected there has helped to manage the German activities. The knowledge issues concern for example the questions which business partners to engage with and which marketing tools to use. The founding manager has used his industrial knowledge, experience and business contacts for the sake of ISM. As sales manager at a wholesaler for bike parts, Mr. Leemkuil gained experience and business insights about the bike market. The idea to found ISM was developed because many customers asked for the ISM seat but the offline supply chain agents disregarded those requests. His former employer was in beginning the preferred supplier. Also the contacts made at the Eurobike trade fair in Friedrichshafen each year help him to raise the awareness for the ISM brand and to sight new innovative product. Thirdly, ISM has the highly specialized competence in managing and distributing innovative bike products in Europe. Moreover, the concept of the ISM bike seat is a symbol of a superior and innovative design. The international niche strategy is based on the unique design approach. The distinguishing feature and USP of an ISM seat is the slot in the front saddle point. The high quality and durable design of the bike seat should attract professional/amateurs riders and customers with seat problems. Both stand for the two main customer target groups of ISM. Finally, the lack of any bureaucratisation and heritage enabled ISM to use an ad-hoc strategy management approach and to avoid any constriction of a formal planning system. Hence, ISM can operate with a high flexibility, applying the Pareto principle.

Concluding and merging all those points, the question what comprises a Born Global firm was answered by using ISM as a reference firm that endeavours to “*expand into foreign markets and exhibit international business prowess*” (Knight, 2004, p.124).

5.2. Regarding sub-question II: How is internet influencing the internationalisation process?

This question was mainly answered by theoretical inquiry and partly by answers given by the respondents. Before describing the ways of how the internet has changed the process of a firm's internationalisation, several writers reason that the internet is an essential business tool for the rapid and instant realisation of an international strategy. In Mathew's view, “*SME's could not be international (...) without the internet*”(Mathews, 2008,p16). The internet has pierced the armour of the traditional international barriers that were formed in the pre-internet era. The rise of the internet has led to lower transaction and communication costs and lower market entry risks. Nowadays, firms trade globally, hence long distances are no barrier anymore to engage in international activities (Chrysotome (2004).

The influence of the internet on the internationalisation

Mathews (2008) elaborates three ways in which the internet has influenced the internationalisation process of firms. Firstly, the internet has enable firms to gain better information regarding customers, customers or the broader environment. Secondly, the internet is an inexpensive communication channel over which interested parties, especially customers can contact the firm. It is a tool to build new business relationships worldwide. Thirdly, the internet is in our time an integral component of a sound internationalisation strategy. Customers expect that every firm has a appealing website, perceiving the firm as reputable entity.

Predictions of this influence

In addition, Petersen (2002) developed a framework that consists of three extreme predictions of how the internet will affect the firm's internationalisation strategy. The internet can either have a moderate, positive or negative impact on this strategy. ISM is an example of a firm following the positive pathway of internationalisation due to the internet. By using the internet as primary sales channel, ISM was able to internationalise instantly and more rapidly than this would be possible in the pre-internet era. Firms such as ISM have access to a global customer base, although its main target countries lay in Europe. In case of ISM customers are demanding a standard product (bike seats), which is accessible (easy to buy online), providing a good price-performance ratio.

Promises and illusions of the internet

The internet has as well realises the four promises that were composed by Chrysotome (2004). Firstly, the internet has enable ISM to enter markets easier and faster. Secondly, multiple market entries are feasible due to the global reach of the website. Thirdly, market entry selection is more flexible and effective because uncertainty factor equals zero (Mr. Leemkuil) and traditional barriers have been bypassed. At last, the web facilitates the creation of business networks due to lower partner search costs. Concerning the illusions of the internet, the manager recognized that the market penetration was more complex in the aftermath than conceived. For example, customers demanded to touch and feel the products, hence an offline sales channel approach was launched (touch-and feel centres, trial period, sponsoring).Secondly, the competition has intensified as more pure internet player just copy-pasted the website contents (texts and photos) from the ISM website. Moreover, Amazon and Wiggles started selling ISM seats, undercutting the recommended retail price. Legal issues are not a dilemma for ISM. To cash in open debit receipts it can uses a European debt collection procedure. Taxes are calculated based on EU legislation. (EU directive 2006/112/ EU). The EU legislation also regulates guarantee issues and rights and duties of consumers and firms. This reduces the uncertainty exposure, because a firm knows its duties and rights on a European scale. As more national legislation regarding consumer protection is replaced by EU law, the former loses relevancy.

Promises of the internet	Illusions of the internet
Internet will speed up the market entry	Market penetration still complex, difficult
Internet facilitates multiple market entries	Intensified global competition
More effective entry mode choice	Cost savings hard to achieve
Enabler for foreign inter-firm networks	Legal issues (taxes, place of jurisdiction)

Table 6: Promises and illusions of the internet

Source: based on Chrysotome, 2004

Information asymmetry

The internet has weakened the old established asymmetry of information that small-medium firms faced in the pre-internet era during the internationalisation phase. In the pre-internet era, there was an asymmetry of power between the bike dealerships and the customers: “*What the dealers said was truth.*” Many dealers think in old-fashion ways. They do not have the innovative products in store that are requested by the customers.

This trend was stated by both respondents. Nowadays, the customer is empowered and more knowledgeable than the dealer, because when the customer is interested in a product he simply looks up all the product-related information online and buys from the e-merchant. The relationship between customers and dealers is reversed in the internet era. Hence, the internet has transformed the trade landscape, created more symmetry between the players. The power shifts from the offline, traditional agents (import agent, wholesaler, distribution agent and dealers) to the online agents (e-merchant and the customer). The transaction costs are decreased because many chain agents are leapfrogged (disintermediation).

Internet as a tool for objective and experiential (tacit) knowledge

The internet is a good tool to obtain objective, explicit knowledge. This type of knowledge can easily be codified and shared via the internet. The internet is well suited to gain international competitor information (explicit knowledge). However, regarding international consumer and resource information (tacit, experiential knowledge), the internet often fails to provide reliable information (Mathews, 2008). Experiential, tacit knowledge is created by personal experience which is very difficult to transmit to other individuals. It is a critical resource because it is difficult to get imitated by competitors. Experiential knowledge is *“gained successively during operations in the foreign country.(...)The less structured and well defined the activities and required knowledge are, the more important is experiential knowledge”*(Johanson & Vahlne,1977, p.28). I agree with Petersen (2002), who doubts the potential of the internet to be a provider for experiential knowledge, because this kind of knowledge is experienced in-situ real business live and actions. A sharing of experiential knowledge based on formal transmission techniques is hard to achieve. (Petersen, 2002). Before the foundation of ISM, the founder did not possess any international or technical knowledge. He learned all he needed by DIY, for example how SEO or Shopfactory work. Hence, the experiential knowledge was gained during the operations in Germany. Due to the ad-hoc management style and in-situ problem solving, the activities are not much structured and defined. Therefore, experiential knowledge is very important for ISM. Moreover, a knowledge-management system is not existing, nor needed or desired by the founder, who has confidence in his own mental knowledge base, intuition, gut feeling and frowardness. Consequently, experiential knowledge is the critical knowledge of value in the internet era. Objective knowledge is not shielded anymore from competitors and can be easily copied.

5.3. Regarding sub-question III: Which factors are influencing the internationalisation strategies of Born Globals?

This subject was approached by screening the literature for relevant indicators. Those were afterwards discussed with the interviewees. In section 2.3., it was claimed that both external and internal factors determine the international strategy of a firm. Efrat (2012) underscored the importance of internal factors for the long-term survival, whereas external factors affect the strategic performance. Psychic distance was presented as sole external factor due, because the focus was laid upon internal factors.

External factor: Psychic distance

Both respondents do not perceive any cultural differences between the home country (NL) and host country (Germany). Mr. Baum merely thinks that the mentality is different in Germany. The German way of doing business is very hierarchical and more structured than in the Netherlands. This strict hierarchical posture is embedded in the German system. There is also a difference regarding the favoured buying criteria. In Germany the price is decisive, whereas respectability and quality are highly valued in the Netherlands. Three more factors downplay the role of psychic distance in the e-commerce era. Firstly, the internet is a key driver for the homogenisation of markets (Dimitratos, 2003) with English as the main language. Secondly, nationality is not playing a pivotal role in selling ISM seats, as people everywhere suffer from seat pain. Thirdly, an online sale strategy involves no intensive customer contact as the buying process is standardized. Only when the customer has a question, the contact is preferably handled per e-mail.

In my judgement, psychic distance is not playing the decisive role that traditional INT theory assumes. This is partly attributable to the three factors stated above. Simply the way of doing business in Germany is more complex, but this is not a barrier of entry. The blindness that is accrued to the 'psychic distance paradox' is not apparent, because Mr Leemkuil is aware of the psychic distance risks, but does not give them any importance. ISM is an example of a firm that is entering a larger, advanced economy that is cultural proximate to the host country (Freeman, 2012). In Freeman's view, the psychic distance is low in this case, reducing the exposure risk. Yet again, the psychic distance is not a decisive factor to entry, but has merely a mediator function: Germany is treated as a province to the Benelux countries and the German language has many commonalities with the Dutch language. Concluding, we corroborated Knight's proposition that psychic distance is not relevant nowadays for firms as the whole world is their playing field (Knight, 2001).

- ➔ **Recommendation:** A Born Global firm should be aware of the risk exposure due to the psychic distance. But it does not have to perceive these risks as barrier of entry because the whole world (international niche) is the playing field of the Born Global.

Language as forgotten factor

ISM entered the German market, because Mr. Leemkuil assumed that the German language was related to Dutch language. Thus language was not seen as a problematic issue. After managing requests for information from customers, Mr Leemkuil changed his mind and reasoned that language was in fact an important factor. Germans use their language in a more strict, hierarchical and formal way than their Dutch, US or English counterparts. It was difficult for the manager to explore the right setting regarding the informal or formal way of communication. The second respondent emphasized that a German website of an e-commerce firm should be written in flawless German- otherwise the customers thinks that the firm is not reputable. Concluding, I agree with Lopez-Duarte et al (2010) that language is a forgotten factor, although it is key determinant for trust building and credibility on the customer's side.

- ➔ **Recommendation:** A manager of a Born Global should take the importance of language into account regarding the entry into psychic distant or near country, because an impeccable use of language increases the perceived reputability.

5.3.1 Motives for internationalisation

ISM entered Germany as a first entrant, hence 'international market development' (Mathews, 2008) is the obvious motive. ISM wants to explore the German market, using the internet as a tool to internationalise instantly, globally and rapidly. The home market of ISM shows sign of saturation, hence new markets need to be conquered (Mathews, 2008). In addition, ISM adheres to benevolent motives such as creating value for customers and helping them to keep on biking: A firm should "*intend to help the customers, not thinking always in monetary terms.*" (Mr. Leemkuil). Nevertheless, a firm's revenue and balance sheet must at least break-even, hence profit maximisation is the bottom goal.

- ➔ **Recommendation:** Although profit maximisation is crucial to enable the firm to survive, a firm should follow benevolent motives as well, taking the interest of the customers on its mind.

5.3.2. Value drivers of Born Globals

Amit (2001) claims that e-businesses create value by the way the transactions are deployed and managed. Value is defined as the total value produced by the transactions as it perceived by any stakeholder (firm, customer, supplier, etc). Amit (2001) defines four sources of value creation: Efficiency, complementarities, lock-in and novelty. For ISMsattel.de novelty is a driver to entice new clients. Every year ISMseat (the US parent holding) introduces one or two new seats and other diversified bike racing parts. According to Mr. Baum, 10-20% of the total revenue in the German bike market is attributable to innovative bike products. Hence, innovative products are the (future) drivers for revenue and profit, because they yield higher returns. Additionally, ISM's key competence is the screening for new, innovative bike-related products that have a USP. Besides this screening process, ISM is experienced in the brand management of those products. Professional and amateurs demand the high performing, very innovative and state-of-the-art products. They depend on reliable and robust tools to bike efficiently and safely. ISM aims to launch novel products as first entrant to capture market share right from the start. Traditional supply chain agents habitually refuse to list new items in their product catalogue. By offering new innovative products that customers demand, but the traditional agents do not supply, ISM as born-global firm can bypass the resistance.

Furthermore, lock-in is a goal as well. By offering a comfortable and robust design, ISM wants to capture customers as Apple has done this with its 'proprietary design system'. The customer can start with the purchase of a medium-range bike seat for his daily used bike. Afterwards the customer can move to the upscale bike seats that are intended for the professionals and amateurs. Moreover, a lock-in status is stimulated by offering the customer an intensive service with trial periods to test the seat.

➔ **Recommendation:** Every firm has its exclusive way to create value either by their using their unique resources or competences. Hence, before entering a market, an analysis of which transactions create value for the customer should be done.

5.3.3. Lack and constraints of Born Globals concerning it's internationalisation

ISM lacks sufficient financial and human resources to grow internationally. Right now the managing founder does everything by himself aside from logistics. He occupies himself with operational activities such as packaging, SEO, supply management or customer service. Instead of being distracted with those operational activities that render low revenue he wants to focus on his passion of finding and managing new products on an

international scale. Those strategic activities yield higher revenue. At the moment the founder is searching for an investor or partner who can support him. All new revenues are directly re-invested into the firm as capital buffer and as a pool to purchase new seats, warranting the supply. Concluding, all ideas of Freeman (2006) were corroborated. Firstly, ISM supplies to global customers to achieve a certain level of economies-of-scale. Secondly, ISM lacks financial resources to build a offline distribution network, hence the online strategy is appropriate. Furthermore, ISM it is difficult for ISM to find reliable business partners. If the established supply source is unable to furnish new seats, it is complicated to find a new reliable source. In addition, it takes time to learn how a sound customer service looks like in the host country. Thirdly, ISM has strained resources regarding the manpower and finances in general. Risky activities such as expanding into France, Britain or Russia are avoided to streamline the management of the key markets at the moment. The founder reckons that the deficiency of financial resources is primarily constraining the international growth of ISM.

➔ **Recommendation:** A Born-Global manager is advised to make a sound financial plan before getting engaged into international activities. A firm can use coping strategies to buffer against resource shortages. Networking is the most important one, because it creates synergies and therefore value for all stakeholders.

5.3.4. Key success factors a of Born Globals

Our theoretical investigation resulted in four key success factors that boost superior performance (Dimitratos, 2003 and Knight, 2004). Firstly, the founder/top management need to have a drive for global growth. This goes not for ISM right now, because after two years of mismanagement ISM refocuses on its key markets, being Germany, France, Italy and Austria. Secondly, a firm must possess sufficient human and financial resource to buffer against strains and to finance the international growth. As it was described above, ISM lacks both resources. Freeman (2006) recommends the use of five coping strategies to bridge the resource disadvantages. ISM uses four of those five strategies as they are presented in table.

Coping strategy	Applied to ISM
Extensive Personal networks contacts/ Collaborative partnership with large foreign customers and supplier:	Networking with customers via the internet or via trade fairs and the intense collaboration with the inventor and suppliers are essential for ISM to raise its product awareness on the one side and to secure the supply of new seats. The touch-and-feel centres are an example for of an extensive collaborative partnership with the customers.
Use of advanced technology	A e-merchant need a reliable IT-infrastructure, providing up-to-date information concerning the products and the availability. ISM uses Shopfactory as operating system, SEO by GoogleAds as marketing tool. The logistic software and infrastructure is provided by GLS (parcel service).
Client follower-ship strategy	Not applicable to ISM
Use of multiple modes of entry	ISM uses hybrid strategy concerning the mode of entry. It uses a multichannel approach entering the key target markets.

Table 7: Coping strategies to bridge resource deficiencies

Source: created for this research

Thirdly, the managers/founders of the firm should be competent in networking. This is true for ISM as it uses the extensive personal network of the founder. At the beginning, ISM uses this network to screen for new products or brands for its brand portfolio. The source can either be inventions from the US parent holding or personal contacts acquired on trade fairs like Eurobike. Afterwards the quest for a reliable supplier starts. Furthermore, the contact with customers can enrich the network, when they start promoting the sale of ISM seats by mouth-to-mouth marketing. This intensive collaboration with the customer can result in the launch of a touch-and-feel centre.

Lastly, a firm should service high-quality products in an upmarket niche segment. Primarily small firms are very good in servicing niches, because *“these small firms possess the flexibility to easily localise their strategies and offer customised offerings across international markets”* (Dimitratos, 2003, p.169). Knight (2004) favours to market high-quality products, using a niche strategy. This has several advantages: Firstly, a firm avoids competition. Secondly, a unique product can lead to differentiation. Thirdly, customers reward superior quality with loyalty. Those products have a USP: the unique design concept. ISM provides high-end quality bike seats for its discerning clientele of professional and amateurs. Both respondents agreed on the use of the niche strategy in connection with brand management. ISM trades niche products with established brand names. By using a niche strategy, it is easier to raise awareness for the ISM brand and to

persuade the customer of the high quality and performance of the product. The niche strategy is optimal for a small (online) firm to yield higher revenue at a lower sale volume. Contrarily, a mass-market strategy is suitable for a medium-sized firm to cover the higher (indirect) costs. In case of mass-market products, there is too much price competition. Moreover, a customer-focus is also a crucial KSF (Knight, 2004). ISM offers a superior customer focus, because ISM provides an intensive consultation process, sponsoring and trial periods for its customers. The professional and amateur riders are discerning, knowledgeable customers that demand such a high service.

Concluding, ISM halted its plans for international growth, lacking financial and human capital. To bridge the resource deficiency, ISM uses four out of five coping strategies. Moreover, ISM is competent in networking, uses a niche strategy for its reputable brands and has a high customer-focus.

➔ **Recommendation:** A Born-Global should analyse its KSF, lack of resources and coping strategies to safeguard its long-term survival.

5.3.5. Internationalisation strategies

In case of ISM, the internet functions as a facilitator and an enabler of the internationalisation strategies. Firstly, the internet is used to inform about the product, the brand and the firm. Secondly, the internet enables communication with the customers. The order transaction, except the packaging, is executed on the Shopfactory platform. The payment transaction is integrated into the Shopfactory platform but handled by external payment solution providers like Klarna and GlobalCharge. The distribution is managed online by the GLS software. Hence, the internet is used to integrate and manage all the discrete activities into a whole customer experience. ISM uses a hybrid constellation using multi sales channels. It supplies to B2C and B2B customers.

Online/ direct sales channel

In total, 60% of ISM's customers are buying online via the ISM website. In the beginning, it was necessary to follow an online approach, because the brick-and-mortar merchants refused to list the product. They refuse to take time to explain the seat concept to the interested customer. Those dealers often see e-commerce as a counter-productive development to their business model. Hence it was necessary to bypass the traditional offline supply chain agents (import agent, wholesaler and merchant), selling directly to the customer. This is an example of the disintermediation process. Wholesalers are not supplied by ISM due to a very small profit margin. In the pre-internet era, customers were

satisfied with the offered products in the bike shop. Nowadays, customers search online for product information and best price deals. They are more knowledgeable than the bike merchant. The online approach is perfect to target the main customer group. The professional and amateur riders are DIY and 80% of them shop for their parts online (estimation Mr.Baum). They do not go to merchants, because they are more knowledgeable than the dealers. They search online for information about (new) products. The online strategy enabled it to enter the German and other countries instantly and rapidly, being the first entrant in every country. For a small firm, like ISM, it is easier to build an online shop, instead of investing its scarce capital to build up a national distribution network. In addition, it is easier to raise product awareness online by doing SEO and online profiling to lure customers to the website. Especially for an online approach it is necessary to have a well-acknowledgeable brand.

Offline / direct, indirect sales channel

40% are offline customers visiting the head office in Bathmen or one of the four touch-and-feel centres. According to Mr. Leemkuil, the 'health'-focused customers prefer to contact ISM via the website or by phone since seat pain and prostate problems are very private issues. The offline strategy approach was demanded by the customers. They wanted to feel, touch and test the bike seats in a professional setting. Hence a branch was opened in Bathmen (NL) and four centres abroad. ISM wants to be more engaged offline in the B2B stream, doing more event-marketing, sponsoring and networking more on trade fairs. Offline marketing in bike magazines, blogs and product test sites can also be effective to reach the B2C target group. Finally, ISM manages all the activities by itself except the logistics part. Hence all activities contribute directly to the costs and profit statement.

➔ **Recommendation:** A Born Global firm should use the right sales channel constellation (offline/ online, B2B or B2C, direct/ indirect, hybrid) that fits the unique product characteristics, the strategy of the firm, the resources and competences, the management capabilities and the growth aims.

5.3.6. Strategy planning of Born Globals: ad-hoc/ muddling through management

Schweizer (2012) demonstrates that the internationalisation process of SMEs is not a rational decision making process, but resembles more a 'Lindblomian' muddling-through process. A formal strategic management system is often absent in case of the Born Global firm. Daily operational problems and opportunities are faced by applying a reactive ad-hoc

management style that can best be characterized as muddling-through heuristic (Schweizer, 2012). ISM pursues an ad-hoc strategy management style. A formal strategy planning system is non-existent, since the general manager considers such a system as useless. He relies on his own experience, intuition, feelings, forwardness and learning-by-doing as heuristics for making the right decisions. The founder often acts contrary to the advice of experts. The ad-hoc style represents the best fit with the ISM needs, because it is difficult to forecast the demand of seats and the peculiarities of e-commerce require this flexible, non-bureaucratic and simple approach. External factors like the weather or regional unemployment rate have a huge impact on the sales figure. The weather can have an impact on +/- 10%. Nevertheless, in the last two years ISM suffered from mismanagement. Up to 20 innovative brands were managed, overtaxing the capabilities of the manager. At the moment ISM refocuses on the management of eight key brands, streamlining its brand portfolio. Another streamlining effort consists in the set-up of the ROSSIR homepage as overarching site to service all European customers. Regarding strategy planning and decision making, the managing founder describes this ad-hoc style as muddling-through approach. In his view, only big corporations like Amazon or Zalando with huge financial buffers are able to afford an elaborated and tight strategy management system. For micro firms the use of such a formal system would constrain the leeway too much. Besides small firms need to focus on the bottom-line, and have no investment capital for such an elaborated, formal system. One respondent assesses that 50% of all new entrants/starters into the German bike market fail, because they neglect the good management of core business issues such as manpower, logistics, procurement or customer service. They imagine a rosy future as smooth movers, but business reality is often harsher.

Concluding, ISM follows a Lindblomian' muddling-through process, because a formal strategic planning system is absent. The manager of ISM trusts his experience and intuition instead of depending on the formal strategy planning system.

- ➔ **Recommendation:** A Born-Global is well-advised to set up a formal strategy management system. It can use tools like ERP, SAP software solutions for SMEs, or the balance scorecard to make grounded decisions, while paying attention of bottom line.

5.4. Adapted theoretical framework

The framework was adapted based on the conclusions made in this chapter:

- Psychic distance as external factor is not relevant nowadays. The internet is a key driver for the homogenization of markets and convergence of consumer preferences;
- The language factor was neglected regarding the criteria for market entry mode.

The conclusions regarding the internal factors are:

- ISM's motives for internationalisation are the 'international market development'. Further motives are of a benevolent nature such as a sound customer service. .Lastly profit maximisation is important to break-even;
- Novelty and lock-in were the two sources for value creation in case of ISM
- The lack of financial and human resources constraint the international growth ambition of ISM;
- The key success factors of ISM are its network capability, the using of a niche strategy to market innovative, reputable brands and its high customer focus. ISM employes four of the five coping strategies stated by Freeman (2006) to bridge against the lack of resources;
- The international strategy of ISM consists of a hybrid, multichannel approach;
- The strategy management of ISM is of an ad-hoc, informal nature. It represents a muddling-through process. The manager trusts his gut feeling more than a formal strategy planning system.

Integrating all those conclusions in an adapted theoretical framework, it will look like this:

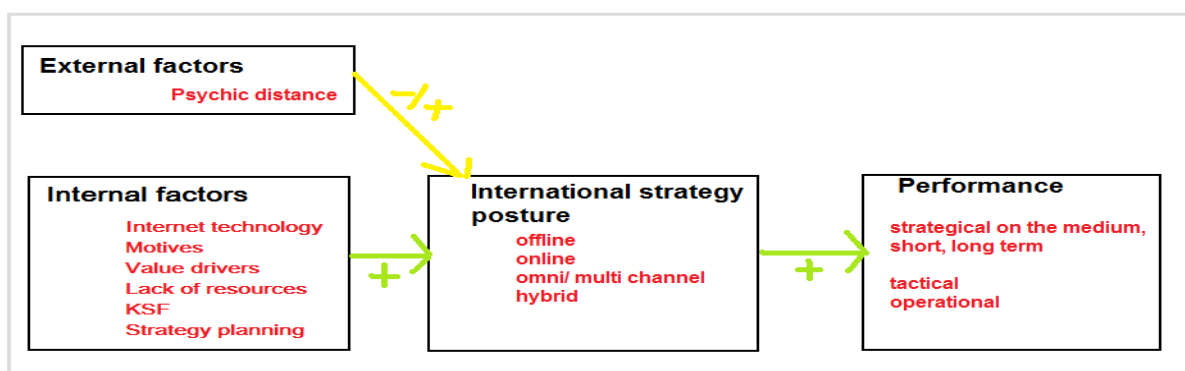


Figure 17: Adapted theoretical framework

Source: created for this research

The basic line of reasoning of this dissertation - external and internal factors influence the internationalisation strategy of the firm- stayed the same. The chosen INT strategy affects the performance parameters, which were not a point of interest of this dissertation and represent an opportunity for further research.

5.5. Regarding sub-question IV. How does the German e-commerce market look like?

This topic was addressed by using primarily business reports as secondary sources. Germany has since the latest election in 2013 (until 2017) a grand coalition. The economic setting is robust with a low unemployment rate, low inflation and a record surplus on the current account figure. The OECD certifies Germany a strong economic growth that is expected to hold on. Hence, the German economic and political infrastructure can be described as solid and stimulating. Over 200 000 webshops exists in German. The German e-commerce market is the 2nd most potential market in Western Europe and the 6th most promising worldwide. Its growth potential (turnover) is approximately 17,4 % on a 5 year term (2013-2018). 45 million customers shopped online in 2013, spending € 39,1 bn in 2013. That figure rose to € 48,4 bn in 2014. In total, 76-78% of all internet users above 10 years were engaged in online shopping. Firms should focus on best agers (consumers above 55 years) as their target group. This clientele has the highest purchasing power- € 413 bn in 2030 and their share of consumption will reach 58% in 2035 . Additionally, the best agers will have a 20-24 % share in the population pyramid of Germany. In an era of the new economy it is very problematic that only 25% of all firms (with more than 10 employees) have broadband internet access. 16% of those firms had no broadband access and 8 % had only slow ISDN analogue access to the internet. In 2014 the German government started the 'Digital Agenda'- program to alleviate this problem. The goal is to install until 2018 a country-wide broadband internet structure with download speed of at least 50 Mbit/sec (Die Bundesregierung, 2015). This program is an absolute necessity, because nowadays the internet is a precondition for all firms and households to partake in e-commerce. Stating the most beneficial facts about the German e-commerce market, there are also some risks. Firstly, the German e-commerce market is highly competitive and German customers are very price sensitive in general (Mr. Baum). They look for best buys by using price search engines. Contrary to the low price, the German customer expects a high quality service and a free-return option in case he does not like the product. Furthermore firms need to offer a up-to-date customer interface, incorporating the trends

of mobile shopping, social commerce and new delivery options. Joining A.T. Kearney, KPMG, DIBS and Ecommerce Europe, I subscribe to their view that the German e-commerce market is very promising due to a huge sale potential. Nevertheless, the prudence principle must prevail: In 2013, online retail contributed only 6,6% to total retail volume (E-commercenews.eu, 2014). This figure will attain 25-30% in 2025. Hence, it will take decennials before e-commerce with its double-digit growth rates will overtake the in-store shopping. Firms are well advised to balance the risk against the benefits of their e-commerce project, avoiding the fallacy concerning the e-commerce euphoria.

5.6. Re-examination of the internationalisation theory

Although Chrysotome (2004), Knight (2001) and Olivatt and McDougall (1993) favour a overhaul of traditional INT theory, I reason that it is not required to develop a completely new INT theory. The internationalisation behaviours of Born Globals can be explained by using the established concepts and constructs of the mainstream INT theory framework. Those old models need to be attuned to the realities of small or micro firms. The product life cycle of Vernon is useful to recognize the maturation and saturation phase of a product, hence to figure out the right time to disinvest and exit a market. The Uppsala model is suitable for the analysis of the (tacit, explicit) knowledge status. Though the lack of knowledge is considered as obstacle of internationalisation, I think it is not a relevant issue. As it was shown in the ISM case study, this firm relies on experiential, tacit knowledge to manage its business activities. Before ISM entered the German market it did not possess any the international knowledge. All the essential knowledge was learned by DIY. The knowledge gap was bridged by solving the daily, in-situ problems. I link my opinion with the ideas of Jones (2004).

Jones (2004) pleads to bring history back to international business arena. By using historical evidence, the researcher is restrained from branding phenomena as new, though they are part of an incremental development. Types of firms that were given new, phony names have a historical dimension. Jones exemplifies the concept of born global. These firms internationalised right after their founding- but this phenomenon is not new. In the 19th century, free-standing firms were created as international investment. In addition, international cartels had a 40% share of the world trade back in 1930. Personal network and contacts of an internationalisation agent are a key distinguishing factor even in times of the internet era (Mathews, 2008). At last, customers demand a face-to-face contact to

assess firms as reputable, especially if selling process requires a high service and intensive consultation. (Chrysotome, 2004) As conclusion, I reckon, that born global firms are not a new breed of firms. Those firms rather employ technology in the sense of “(scientific) knowledge used in a practical ways” (OALD,2014). Technology is not perceived as equipment or machinery artefact, but it is used as pure, practical knowledge. As the firms of the 19th century, Born Globals also need to apply the principles of modern management (good governance, sound finance and accounting, customer focus, etc.) to survive on the long-term.

5.7. Quality considerations

5.7.1. Quality of the chosen articles

Some of the articles were written in before and after the year 2000. I think that it is appropriate to use them since the business landscape has not changed radically by the uprise of the e-commerce. The landscape is shaped by incremental changes. Firms go through a historical pathway. Firm’s strategies and organisations are shaped by the economic, social and political environment. (Jones, 2004). Moreover, firms are part of the institutional setting which is resistant to change and radical changes. Concluding, I think it was the right decision to use those articles.

5.7.2. Quality of the research: Reliability and validity

In the past the quality of research was judged by using implicit criteria. But since the year 2000, more explicit criteria and have been formalized. Boeije (2010) emphasizes that the generated knowledge only represents the partial truth and not the actual (social) reality. Quality of research comes down to two indicators, being reliability and validity. According to Steinar (2009), “reliability refers to the consistency and trustworthiness of research findings, linked to questions whether a finding is reproducible at other times, by other researchers.” Validity “refers to the extent to which the observations indeed reflect the phenomena or variables of interest .(...) Qualitative research can lead to valid scientific knowledge”(Steinar,2009, p.122).

Validity

Succinctly, validity asks if the measure that represents specific concepts really reflects this concept. Steinar (2009) differentiates between communicative and pragmatic validity. There are three forms of communicative validity, namely member validation, audience

validation and peer validation. Pragmatic validity concerns actual behaviour changes of the participants due to the researcher's interventions. The motto is: action involves a reaction. In this study, thus only the first form is of interest, because only member validation is applied (see beneath).

Reliability

Due to the vagueness of qualitative research, replication (reliability) is difficult. Reliability is a necessary, but not a sufficient condition to achieve validity, because when the measurements are unreliable, the researcher fails to measure what he intends to measure. Furthermore reliability is difficult to attain in qualitative research, because there are no standard measurement instruments available in qualitative research. For example, in interview research the instrument is always a human, being the researcher.

Nevertheless, validity and reliability should be striven for as aims regarding the quality of the research. Transcription as the interpretive construction of reality enhances both reliability and validity. Reliability is promoted because others can access the material and will hopefully yield the same findings. Validating is improved because by re-listening the researcher analyse if the interviewee have understood he concepts in the intended way. (Steinar, 2009). Transcriptions were produced for both interviews.

Safeguarding quality

Boeije (2010) has created a list of measures to ensure the quality of research, namely the use of methodological accountability, reflection on the researcher`s role, triangulation, member validation and multiple researchers.

Firstly, the methodological accountability was enforced, because the researcher described all the activities of the methodological steps, hence others can retrace what he has done. At least, virtual replication is feasible, since the researcher has described all those steps.

Secondly, the researcher's role was the one of a careful listener. Some kind of involvement is necessary, because the researcher is interested in the experience, motives and interests of the interviewees. Although none researcher is value-free and everything is value-laden, it is judged that bias is not a potential risk, since the questions are based on a sound literature review.

Thirdly, triangulation is about the use of more sources of data to examine the research subjects. Theoretical triangulation was applied, since in the literature review was based on various theoretical paradigms such as network theory, transaction cost analysis and

resource dependency view. Methods triangulation was pursued by using two interviews as primary sources and reports as secondary sources to reveal several dimensions of the research subject.

Fourthly, all the interviewees checked the transcribed interviews and gave feedback when an utterance was not in line with their view. If the researcher is able to offer accurate, valid descriptions and interpretations of what the interviewee have told him, then the interviewees will acknowledge the interpretations as their own. Afterwards the researcher incorporated their feedback and corrected the statements when needed. To ask interviewees to verify the interpretations is a direct test of reliability.

Lastly, researcher triangulation, the use of multiple researchers was not intended, because this is a bachelor dissertation, hence a research project for one researcher. I think that the risk of bias was not present, because literature review guided the interview questions. The literature review is based on the peer-reviewed articles of several other researchers. In my view, this counts as triangulation of researchers as well.

Generalizability

Furthermore there is the external quality to be judged, concerning the generalizability of the conclusions. Thus the question is whether the results of a study can be generalised to other contexts. This is one of the most difficult endeavours in qualitative research. If the research is not externally valid, results only apply to the research case. If the research is externally valid, results can be extrapolated to other cases and contexts. The key question is then if the cases hold for other not-studied cases. Because every researcher is engaged in theorising, he is automatically concerned about generalizability. There are several types of inductive generalisation such as statistical generalisation, theoretical generalisation and variation-based generalisation. (Boeije, 2010) In inductive reasoning, generalisation runs from research results to a population or to a theory scope. Theoretical generalisation is the application of the principle of replication. The researcher theorises on the basis of a case and then tests the findings. Afterwards the theory is adapted. Theoretical generalisation was one of the aims of this dissertation (please see also chapter 3). Finally, new theory formulation is the driver for generalisation to cases that have not been researched but still is in the scope of the theory. Furthermore, Boeije (2010) mentions analogical and communicative generalisation. The first one is not appropriate for this study, because it is only relevant if the research design consists of multiple case studies. Communicative generalisation is done by the readers as targeted audience of the research. They make

inferences by themselves while linking findings and contexts that matter to them. The researcher needs to accurately describe the case in order to enable the reader constant comparison of the studied and the self-referent cases.

Summary

In this final chapter, every research sub-question was answered. Firstly, Born Globals firms are early internationalising firms that internationalise instantly, rapidly and globally. Secondly, the internet is a enabler, mediator and facilitator for the internationalisation of firms, Thirdly, the factors of internationalisation were presented. Psychic distance lost its importance, but the language factor was neglected. A conclusion about the internal factors of the internationalisation regarding the Born Global firm was made and the theoretical framework was adapted accordingly. Lastly, the German e-commerce market was concluded to be a promising market with some pitfalls. A re-examination of international theory as it was demanded by several researchers is not necessary because established concepts can be used to describe the Born Global firms. The principles of modern management are relevant for firms of the internet era as well, as they were for firms of the 19th century. This chapter ends with the considerations about quality. Because the research design was qualitative, the validity, reliability and generalizability are not so high as in a quantitative research set-up. They were striven for as aims and several precautions were made to safeguard them.

References

Articles

- Amit, R. and Zott, C. (2001). Value creation in E-Business. *Strategic Management Journal* Volume 22, 2001
- Brouthers, K.D. (2002). Institutional, cultural and transaction cost influence on entry mode choice and performance. *Journal of International Business Studies*, 2nd Quarter 2002
- Buckley, P.J. (2002). Is the international business research agenda running out of stream?. *Journal of International Business Studies*, Volume 33
- Chrysotome, E. (2004). The Internet and SMEs Internationalisation: Promises and Illusions. *Journal of International Business and Entrepreneurship Development*, No.4, 2009
- Dimitratos, P. (2003). Micromultinationals: New Types of Firms for the Global Competitive Landscape. *European Management Journal* Vol. 21, No. 2, 2003
- Efrat, K., & Shoham, A. (2012). Born global firms: The differences between their short-and long-term performance drivers. *Journal of World Business*, 47(4), 675-685.
- Freeman, S. et al (2006). How smaller born-globals use networks and alliances to overcome constraints to rapid internationalization. *Journal of Marketing* Vol.14, No.3., 2006
- Freeman. S., Hutchings, K, & Chetty, S. (2012). Born Globals and Culturally Proximate Markets. *Management International Review*, 52
- Gabrielsson, M. (2004). Born globals: how to reach new business space rapidly. *International Business Review*, 2004, No. 13
- Gabrielsson, M. (2011). Internet-based sales channel strategies of born-globals firm. *International Business Review*, Number 20, 2011
- Johanson, J., & Vahlne, J. E. (1977). The internationalization process of the firm-a model of knowledge development and increasing foreign market commitments. *Journal of international business studies*, 23-32.
- Jones, G. (2004). Bringing History (back) into international business. *Journal of International Business Studies*, Volume 37
- Kamakura, W.A. (2012). A dynamic perspective to the internationalization of small-medium enterprises. *Journal of the Academy of Marketing Science*, volume 40
- Knight, J., Bell, J. & McNaughton, R.(2001).Born Globals: Old wine in new bottles.*International Business Review*, Volume 6(6),2001
- Knight, G.A. and Cavusgil, S.T. (2004). Innovation, organizational capabilities, and the

- born-global firm. *Journal of International Business Studies*, Volume 35, 2004
- Koch, A.J. (2001). Factor influencing market and entry mode selection: developing the MEMS model. *Marketing Intelligence and Planning*, number 19/5, 2001
- Kurzeja, M. and Altmann, M.(2013).*Silvermarkets-Wie müssen sich Unternehmen and den demografischen Wandel anpassen?*. Conference presentation sheets presented at the workshop of the GsiK-day
- López-Duarte, C., & Vidal-Suárez, M. M. (2010). External uncertainty and entry mode choice: Cultural distance, political risk and language diversity.*International Business Review*, 19(6), 575-588.
- Mathews, S.W. (2008). From Garage to Global- the Internet and international market growth, a SME perspective. *International Journal of Internet Marketing and Advertising* Volume 4(2/3)
- Morschett, D., Schramm-Klein, H. & Swoboda, B.(2010). Decades of research on market entry modes: What do we really know about external antecedents of entry mode choice?.*Journal of International Management*, Number 16, 2010
- Oviatt, B. M., & McDougall, P. P. (1994). Toward a theory of international new ventures. *Journal of international business studies*, 45-64.
- Peng, M.W. (2004). Identifying he big question in international business research. *Journal of International Business Studies*, 35
- Petersen,B.et al (2002).The internet and foreign market expansion by firms. *Management International Review*, Vol.42, no. 2.
- Rasmussen, E.S. (2002). The Born Global concept. Paper for the EIBA conference 2002
- Schweizer, R. (2012).The internationalization process of SMEs: A muddling-through process.*Journal of Business Research*,Volume 65
- Setzer, M.(2009).Institutionelle Marktanpassung deutscher KMU an veränderte Rahmenbedingungen in der EU. *Verlag Dr. Kovac*
- Vernon, R. (1966). International investment and international trade in the product cycle. *The quarterly journal of economics*, 190-207.

Books

- Boeije, H. R. (2009). *Analysis in qualitative research*. Sage.
- Kvale. S.(2007).*Doing interviews*.Sage
- Punch, K. F. (2006). *Developing effective research proposals*. Sage.

Silverman, D. (2006). *Interpreting qualitative data: methods for analyzing talk, text and interaction*. Sage Publications.

Yin, R.K. (2003). *Case study research: design and methods*. Thousand Oaks

Reports

AT&Kearney (2013). The 2013 Global Retail E-commerce Index. New York and Chicago, USA: Author.

BIS-Department for Business, Innovation and Skills (2010). Internationalisation of Innovative and High Growth SMEs. London-United Kingdom: Author

BITKOM (2013). Trends im E-Commerce-Konsumverhalten beim Shopping. Berlin-Germany: Author.

Ecommerce Europe (2013). Europe B2C Ecommerce Report 2013. Brussels-Belgium: Author.

Germany Trade and Invest (2014). The E-Commerce Market in Germany. Berlin-Germany: Author.

KPMG AG and EHI Retail Institute (2012). Consumer Markets- Trends im Handel. Hamburg-Germany: Author.

Statistisches Bundesamt (2014). E-commerce in privaten Haushalten 2013. Wiesbaden-Germany: Author.

Newspaper articles

Busse, C. (2013, July 10). Partner statt Kumpel. *Süddeutsche Zeitung*

Schmidt, H. (2014, February, 12). Der Handel hofft auf Kauflaune. *Rhein-Neckar-Zeitung*

Websites

ADFC (2013). *Fahrradmonitor 2013: Daten, Fakten, Zahlen*. Retrieved from:

http://www.adfc.de/files/2/35/Datenblatt_zum_Fahrad-Monitor_2013.pdf

BEVH (2014, February 18). *Ergebnisse der bevh-B2C-Studie 2013 liegen vor - Interaktiver Handel 2013: Massive Umsatzsteigerungen für die Branche – E-Commerce-Anteil knapp unter der 40 Milliarden Euro-Grenze*. Retrieved from:

<http://www.bevh.org/presse/pressemitteilungen/details/artikel/ergebnisse-der-bevh-b2c-studie-2013-liegen-vor-interaktiver-handel-2013-massive-umsatzsteigerungen>

Bundeskartellamt (2014, July 2). *Adidas abandons ban on sales via online market places*.

Retrieved from:

http://www.bundeskartellamt.de/SharedDocs/Meldung/EN/Pressemitteilungen/2014/02_07_2014_adidas.html;jsessionid=5F754ED751C165B2B01BDC742831224D.1_cid387?nn=3591568

Die Bundesregierung – Presse und informationsamt der Bundesregierung (2015). *Digitale Agenda Digitale Infrastrukturen*. Retrieved from: <http://www.digitale-agenda.de/DA/Navigation/DE/Handlungsfelder/1-Digitale-Infrastrukturen/1-digitale-infrastrukturen.html;jsessionid=8A5F7CA69C82EB056BC124040E9C4022>

DIBS/ Hansen, H. (2014, April 7) *Planning to launch your e-commerce in Germany?* Retrieved from: <http://www.dibs.se/ecommerce-germany>

DNHK (2013). *Handelspartner Niederlande*. Retrieved from: <http://www.dnhk.org/niederlande/fakten/handelspartner-niederlande/>

Ecommerce Europe (2013, May 23). *Press release: European E-commerce to reach €312 bn in 2012, 19% growth*. Retrieved from:

<http://www.ecommerce-europe.eu/press/2013/05/press-release-european-e-commerce-to-reach-312-billion-in-2012-19-growth>

Ecommerce News (2014, April). *Ecommerce in Germany*. Retrieved from: <http://ecommercenews.eu/ecommerce-per-country/ecommerce-germany/>

GfK (2013, December 2013). *GfK Purchasing Power Germany 2014*. Retrieved from: <http://www.gfk.com/news-and-events/press-room/press-releases/Pages/GfK-Purchasing-Power-Germany-2014.aspx>

OALD (Oxford Advanced Learner's dictionary. *Technology*. Retrieved from: <http://www.oxfordlearnersdictionaries.com/definition/english/technology>

OECD (2005, December 2). *Definition of Small and medium-sized enterprises*. Retrieved from: <http://stats.oecd.org/glossary/detail.asp?ID=3123>

OECD (2014, May). *Germany - Economic forecast summary (May 2014)*. Retrieved from: <http://www.oecd.org/economy/germany-economic-forecast-summary.htm> and <http://data.oecd.org/germany.htm#profile-economy>

Statista Bericht (2011, October 4th). *E-commerce Studie: Top 1000 Shops*. Retrieved from: <http://de.statista.com/berichte/168/e-commerce-markt-in-deutschland-stark-konzentriert/ehi/pq/>

Statista (2012) *Umsatz durch die Produktion von Fahrradteilen und Fahrradzubehör in Deutschland von 2000 bis 2012 (in Millionen Euro)*. Retrieved from: <http://de.statista.com/statistik/daten/studie/154155/umfrage/umsatz-durch-fahrradteile-und-fahrradzubehoer-in-deutschland-seit-2000/>

Statista (2013). *Entwicklung des Fahrradbestandes in Deutschland in den Jahren 2005 bis 2013 (in Millionen Stück)*. Retrieved from: <http://de.statista.com/statistik/daten/studie/154198/umfrage/fahrradbestand-in-deutschland/>

Statista (2014). *Handelsvolumen des Online-Handels in Deutschland in 2010 und Prognose für 2016 in Milliarden US-Dollar*. Retrieved from: <http://de.statista.com/statistik/daten/studie/227087/umfrage/prognose-zum-handelsvolumen-des-online-handels-in-deutschland/>

Statistisches Bundesamt (2014, February 26). *Standortfaktor "Schnelles Internet" – Deutschland weiterhin nur im Mittelfeld*. Retrieved from: https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2014/02/PD14_065_52911.html

Statistisches Bundesamt (2014, September 2). *45 Millionen Menschen in Deutschland kaufen über das Internet ein*. Retrieved from: https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/zdw/2014/PD14_036_p002.html

Thuiswinkel Waarborg (2014, April 18). *Ed Nijpels: Nederland moet e-Ambitie tonen!*. Retrieved from <http://www.thuiswinkel.org/persberichten/ed-nijpels-nederland-moet-e-ambitie-tonen>

Worldbank (2014). *Doing business 2015-Going beyond efficiency*. Retrieved from: http://www.doingbusiness.org/data/exploreeconomies/germany/~/_/media/giawb/doing%20business/documents/profiles/country/DEU.pdf?ver=2

TV Broadcasts

Handel im Wandel: Interview mit Joachim Zentes. [Video file]. (2014, October 17). Retrieved from: <http://www.3sat.de/mediathek/?mode=play&obj=46926>

Appendix

Appendix A: Questionnaire

Questionnaire based on the theoretical framework - version (23th June .2014)

General information

Who are you?

What is your function, tasks and responsibilities?

Please describe your company?

How many countries are you servicing?

Would you define your company as an Born-Global, INV or mNE?

What is the (estimated) account of foreign sales (profit / cash flow)?

Psychic distance

What are the differences (culture, language) of doing business in Germany and in the Netherlands?

What role do those differences play in times of globalisation and homogenisation of markets?

Market selection

What are your market selection criteria?

Why you have chosen an entry to the German market ?

Market entry mode

What are criteria to select an entry mode ?

What entry modes are you using/planning to use?

Traditional entry modes

- Trade: Export, Subcontracting, Countertrade
- Transfer: Licensing, Franchising

- Foreign Direct Investment (FDI): Wholly owned subsidiary, Joint-venture, Contract manufacturing, Management contract, Mergers and acquisition (M&A)

OR the multichannel **online** channel OR hybrid channel = 'click and mortar'

Dimensions:

- Direct /indirect ?
- Offline/offline: What are your online sales channels? And what are your offline sales channels? (based on Gabriellson,2011)
- Hybrid strategies

Role of international experience and knowledge

Please describe your company's level of international experience?

Please describe your company's level of international knowledge?

Please describe your company's level of technical knowledge?

To what extent a knowledge-management system is important to safeguard the acquisition, use and integration of best practices or the transformation of tacit knowledge to implicit knowledge? (based on Johanson, 1977)

What pivotal role private, tacit knowledge plays ?

Resource commitment

Has your company a low or high resource deployment regarding the country commitment? Which of the following drivers are decisive in creating the value in your company? (based on Amit, 2001)

- efficiency
- complementarities
- lock-in syndrome
- novelty

Market commitment

Please describe the decision criteria for market commitment? (demand, risk uncertainty)?

Internationalisation

Based on Oviatt, 1994:

- Which of your transactions/activities are internationalized?
- On which criteria you decide which operation to internalize or to outsource? Which operations are concerned?
- Which foreign location advantages do you possess?
- What unique resources or knowledge can you deploy ?
- How is the coordination of your operations managed (low, high integration/coordination of activities across countries)?

What is your company's specific internationalisation vision and strategy ?

What are your international objectives?

Is your strategy building based on formal or informal (muddling through/ad-hoc) decision making?

What are the barriers, constraints and problems of entering the German market?

In your opinion, in how far are the lacks of a SME (financial, human and knowledge) influence the INT path of your company ?

Which of the following coping strategies are you using overcome those business constraints? Why? (based on Freeman, 2006)

- extensive personal networks contacts
- collaborative relationships with large foreign customers and suppliers
- client follower-ship
- use of advanced technology
- use of multiple modes of entry

What influence are niche strategy and target marketing exerting in the INT process?

Could you please describe your company's pre- internationalisation, internationalization and eventually your post-internationalisation stage in case of disinvestment/market exit ? (based on Kamakura, 2012)

What is your INT growth strategy /plans for the next 1,2,3 years and for the long-term horizon?

Internet's effect on the SME

What are the benefit of internet / e-commerce regarding the INT of SME's?

What are the risks /problems of the internet /e-commerce? (based on Freeman (2006))

INT motives

What are your motives to partake in INT ?

- domestic saturation
- profit maximisation
- risk spreading

Future /sustainable competitive advantage

What are your plans to achieve competitive advantage on the long term -to achieve a sustainable CA?

Key success factors of Born Global /INV

What are the key success factors for your firm to succeed in INT?

[Knight, 2004: global technological competence, unique product development, quality focus]

[Dimitraos, 2003: sufficient human, financial capital, global vision and experience of founder, competent networking, customer-oriented focus]

Appendix B: Transcribed interviews

2.1 Key reference interview

Key informant: Erik Leemkuil, expert regarding the Dutch bike market and founder of ISMsattel.de

Place and date: Heidelberg, 22th June 2014 at 8:30 o'clock

Via Skype

Length: 90 minutes

Language: Dutch / English

General information

???Who are you?

Erik:

- Erik Leemkuil, 49
- uit Apeldoorn
- Mavo, dan fietsenmaker-opleiding gevolgd, na
- na slechte periode erin: vrachtwagenchauffeur, dan 1992 terug naar fietsenbranche
- met weinig opleiding, leider werkplaats, dan filiaalleider, doorgroeid naar verkoopleider groothandel--> uit deze functie eigen bedrijf begonnen met fietszadels
- sinds 2014: 'VOF'- collega erbij

???What is your function, tasks and responsibilities?

???Please describe your company?

???How many countries are you servicing?

Erik:

- keylanden: NL, D, F, UK, Oostenrijk, België, Italië
- importeur van andere innovatieve fietsproducten (o.a. tandwielen, Rotor, Casco helmen- altijd op zoek naar innovatieve producten --> hele wereld over: laatste 2 maanden geleverd naar: Singapore, Japan, Brazilië, Zuid-Afrika, Mexico, Israël, Qatar, UK

???Would you define your company as an Born-Global, INV or mNE?

Erik:

- BG want gelijk sinds oprichting online,
- wel 'touch-and-feel-centres' = contactpunten in buitenland: al in België, Oostenrijk en Duitsland (NRW) in opbouw
- in 'touch-and-feel-centres' zetten wij onze producten van ROSSIR neer met voorraad en serviceparts
- wij zijn ons bewust, dat mensen dingen willen aanraken
- 'native center' belangrijk voor klanten in eigen land
- BG- concept past het beste bij ons

What is the (estimated) account of foreign sales / total sales)?

- aandeel D/total sales: beetje ingezakt door te veel focus op andere merken
- 20% met Oostenrijk 25%

Psychic distance

???What are the differences (culture, language) of doing business in Germany and in the Netherlands?

Erik:

- dacht in eerste instantie taalverschillen rol zouden spelen--> is niet zo : Duitsers zijn strenger als Nederlanders ook in taalgebruik
- strikte hiërarchie aanwezig
- probeer wel altijd het joviale te zoeken en af te stappen van officiële gedoe, snel op het persoonlijke niveau te gaan--> indruk / gevoel: hiërarchie is in het systeem 'embedded'
- probleem: weet niet wanneer hij formeel of informeel moet communiceren
- onzekerheid
- generatiekloof onder 30 of boven 50 jaar klanten
- bij 'supplier' van Casco helmen: baas is baas- hiërarchie is er belangrijk- als de baas links zegt, volgt iedereen links
- bij ISM merk ik niet zoveel van cultuurverschillen: veel klanten doen card of cadeau bij - merk geen cultuurverschillen

???What role do those differences play in times of globalisation and homogenisation of markets?

Erik:

globalisatie:

- internet zorgt voor homogenisatie van markten: langzamerhand gaan wij naar een homogene zakenwereld toe
- voertaal wordt Engels
- verder ontwikkeling is lastig in te schatten, want internet is heel kort er- wereld is veel in beweging- wat jij nu denkt van internet is er morgen weer achterhaald

Market entry mode

???What are criteria to select an entry mode?

Erik:

- Voor Duitse markt was taal belangrijk: Duitse taal is meest verwant aan Nederlandse taal
- ervaring met importeurs/ groothandels in Duitsland: zien Nederland als provincie van Duitsland - idee: kan andersom ook
- ik zie België ook niet als buitenland, dus daarom in beide landen begonnen
- --> idee: wat in NL kan, moet in Duitsland ook kunnen = als zadelbehoefte in NL er is- moet die in Duitsland er ook zijn- overall hebben mensen zadelpijn- nationaliteit speelt erbij geen rol

andere criteria:

- economie
- 'first trader' in Duitsland destijds speelde grote rol
- EU context: een muntsysteem

???What entry modes are you using/planning to use?

3 Possible answers

1) **Traditional** entry modes Trade: Export, Subcontracting, Countertrade/ Transfer: Licensing, Franchising/ Foreign Direct Investment (FDI): Wholly owned subsidiary, Joint-venture, Contract manufacturing, Management contract, Mergers and acquisition (M&A)

2) OR the multichannel **online** channel OR hybrid channel with 'click and mortar'

Dimensions:

- Direct /indirect ?
 - Offline/offline: What are your online sales channels? And what are your offline sales channels? (based on Gabriellson,2011)
- 3) **Hybrid** strategies

Erik:

- internet speelt een rol

ter verduidelijking:

- wij zijn importeur van tandwielen--> voorbeeld: 2 jaar stonden wij op beurs van Locomotion (beurs voor fietsliefhebbers in Utrecht)
- op consumentendagen: alleen maar uitleggen, geen tijd voor pauzes, veel vragen en veel interesses van klanten
- maar op vakdag geen interesse van vakhandelaar

→ illustratie wat internet kan doen- consument is geïnteresseerd -weet er meer van dan de vakhandel- consument wil meer informatie, wil product voelen en ervaren

- vakhandel zit op slot-draait niet goed- draaien cirkels, zien geen kansen,weg eruit
- vroeger ging klant met vraag naar fietsenmaker, wat hij vertelde was de waarheid
- nu door internet komen veel klanten bij fietsenmaker of zij bepaalde producten hebben en klanten weten meer ervan dan fietsenmaker zelf-want klant heeft alle info al op internet gelezen
- fietsenmaker komt in het gedrang: voelen druk van internet- kunnen er niet met omgaan (wel beetje generaliserend) -dus verklaring waarom internet heel belangrijk waarom internet handel heel erg kan veranderen
- terug naar basis: wij zijn importeur verkopen direct aan consument- vroeger op school geleerd: fabrikant-importeur-groothandel-winkel -consument--> er vallen nu veel stappen eruit - wij leveren direct aan winkels en consumenten, leveren niet aan groothandels want niet marge niet voldoende (marge ISM: inkoop 100 €, verkoop 220€ marge2.2)
- volgen een hybride strategie- want offline en online
- schatting 60 % online klanten en 40% winkel/ offline klanten – B2B en B2C samen
- op beurzen staan: kijken naar Eurobike (Frierichshafen) voor netwerken

Role of international experience and knowledge

???Please describe your company's level of international experience?

???Please describe your company's level of international knowledge?

???Please describe your company's level of technical knowledge?

???To what extent a knowledge-management system is important to safeguard the acquisition, use and integration of best practices or the transformation of tacit knowledge to implicit knowledge? (based on Johanson, 1977)

???What pivotal role private, tacit knowledge plays ?

Erik:

- helemaal geen kennis, gewoon beginnen en kijken wat men tegenkomt
- internationale contacten via ISM
- 2 internationale contacten via groothandel: Steve Toll (ISM founder) andere Taiwanese tussenhandelaar van fietsproducten
- sinds 4 jaar bij ISM:

- technische kennis: Shopfactory- alles 'learning-by-doing'- ook bij SEO
- Shopfactory in 2006 door collega erop gewezen
- SEO: innovatievoucher van overheid gehad : opleiding gedaan in Maastricht in 2 dagen over SEO

- geen kennisdatabank: heel slechte schrijver, neem alles in mij op

- ik ben behoorlijk eigenwijs

Resource commitment

???Has your company a low or high resource deployment regarding the country commitment?

???Which of the following drivers are decisive in creating the value in your company? (based on Amit, 2001) efficiency/ complementarities/ lock-in syndrome / novelty

Erik:

- laatste 2 jaar te veel gericht op andere producten, opnieuw focus op NL, sinds 2 maanden weer terug naar basis naar ISM, verlies nu te veel marktaandeel
- NL weet ik tactiek - in D niet

waarden van Amit (2001)- 4 manieren voor waarde creatie

- novelty: klanten vangen door nieuwe producten
- wel lock-in als doel : webdesign - keuzemenu

Market commitment

???Please describe the decision criteria for market commitment? (demand, risk uncertainty)? Why you explicitly choose to enter the German market?

Erik:

- gezien vraag in NL= dus moet in D ook de vraag naar zadels zijn
- geen concept om de vraag in te schatten, (want) geen opleiding marketing gedaan
- puur 'Fingerspitzengefühl'- -> marktaandeel in Duitsland van ISM: zadels kunnen 10 % hebben in het marktsegment high-end racezadels = online en offlineverkoop= totaal

- risico: zie niet veel risico- wel normaal ondernemingsrisico: voorraadbeheer en andere kosten- zie juist grotere omloopsnelheid als jij die markt uitbreid
- [ben jij onzeker op D markt:] ik ken de Duitse markt niet goed - ben wel overtuigd van mijn Duitse internetconcept- marketingconcept --> onzekerheid =0

Internationalisation

???Which of your transactions/activities are internationalized?

???On which criteria you decide which operation to internalize or to outsource?

???Which operations are concerned?

Erik:

- logistics uitbesteed aan GLS (*packet service*)
- SEO verpakking, verpakken, after-sales-service doe ik zelf – alle activiteiten in NL
- in de toekomst: marketing en SEO misschien uitbesteden aan Duitse bedrijven- tot nu toe te eigenwijs- geen vertrouwen dat zij het doen wat ze beloven- maar als ik een goede partner vindt die ik kan vertrouwen- dan wel uitbesteding mogelijk

???Which (foreign) location advantages do you possess?

Erik:

- genoeg km gereden als vertegenwoordiger (*oude baan*)
- nu zijn de locatie-voordelen groter in Bathme: vlak bij huis en familie, goedkope locatie, vlak bij de snelweg A1
- ik kan alles over internet doen → locatie niet belangrijk/ relevant want onlineverkoop
- soms komen mensen kijken- bereikbaarheid heel goed

???Are you inclined to open a German subsidiary in the future?

Erik:

- zie er wel voordelen in: Duits 'touch-en feel centre' in opbouw in NRW bij heel enthousiaste klant die wil helpen en heeft ruimte over
- er is al een 'centre' in België en Oostenrijk
- klanten vonden zadel te duur → zadel gesponsord → samenwerking groeit uit op iets leuks
- eerst sponsoring, dan samenwerking, wens om elkaar te willen helpen: ligt aan de basis van beide centres (België en Oostenrijk)

???What unique resources or knowledge can you deploy ?

Erik:

- unieke resource: network capability
- niet altijd naar de winst kijken - maar jij bent een sympathieke vent ik wil jij wel willen helpen
- dus niet altijd naar kosten kijken
- maar bij hulp alleen kijken naar inkoopkostendekking zonder marge - niet altijd commercieel kijken- want dan had ik die contacten NRW en O niet gehad
- [*beslisgrond wie kan je vertrouwen en wie niet:*] intuïtie in combinatie met prettig gevoel dat jij goed draait
- intuïtie moeilijk te beschrijven- ik heb al mijn neus gestoten aan intuïtie - maar eigenwijsheid is ook belangrijk → ik handel soms in tegendeel van expert-advies (voorbeeld namen site = url)
- vasthouden aan eigen concepten belangrijk

???How is the coordination of your operations managed (low, high integration/coordination of activities across countries)?

Erik:

- hoge integratie van activiteiten, want alleen logistics is uitbesteed
- ik doe alles alleen
- 'touch-and-feel centres' zijn losgekoppeld van ISM

???What is your company's specific internationalisation vision and strategy ?

Erik:

- Polen, Techie, Slovakije: stop ik ermee als url- contract uitloopt (elk jaar verlengbaar)- die worden ernaar bediend door de Engelse sites
- andere landen: geen plannen wel refocus van ISM op keylanden: Italië, Oostenrijk, Duitsland en France
- meer gaan richten op Rossir.com als overkoepelende site voor de marketing van alle producten in de andere landen

???Is your strategy building based on formal or informal (muddling through/ad-hoc) decision making?

Erik:

- niet voorhanden: ad hoc management
- wel te veel, omdat ik heel veel zelf moet doen- want de omzet is er nog niet om iemand aan te nemen
- kans op investering van buitenaf zit er nog niet in- moet roien met riemen die ik heb
- [*wanneer overgaan naar formeel planning-systeem:*] Probleem is dat een planning van het aantal verkochte zadels moeilijk- niet planbaar- is
- zie niet het nut van in van planning- systeem -om dat te doen → ik ga mij zo doorworstelen

???What are the barriers, constraints and problems of entering the German market?

Erik:

- geen behalve taalverschillen
- soms incassoproblemen (ook in NL)

??? In your opinion, in how far are the lacks of an SME (financial, human and knowledge) influence the internationalisation path of your company ?

Erik:

- Veel: ik houd mij door de 'lacks' te veel bezig met pakketjes inpakken en e-mail beantwoorden zodat ik niet toekom aan het uitbreiden van mijn ideeën
- zoek naar investeerder of bank die helpt op financiële gebied - dan was ik veel verder geweest- maar moet het nu met mijn eigen geld doen- moet iedere maand inkomsten hebben--> dus 'lacks' belemmeren verdere groei

???Which of the following coping strategies are you using overcome those business constraints? Why? (based on Freeman, 2006)

1. *extensive personal networks contacts*
2. *collaborative relationships with large foreign customers and suppliers*
3. *client follower-ship*
4. *use of advanced technology*
5. *use of multiple modes of entry*

Erik:

- overlevingsstrategieën/'coping strategies' die van toepassing zijn:
 1. netwerken
 2. samenwerken met customer en suppliers-
 3. advanced technology (Shopfactory en SEO)

4. en meerdere entry modes → dus 4 van de 5 van toepassing
 - -samenwerken met suppliers: bezig met uitwerken- motto erbij : de merken die ik voer wil ik de grootste in zijn- dit ben ik bij ISM, casco en rotor in NL- dit spreek ik ook af met de suppliers
 - zoekt actief naar nieuwe merken door netwerken

???*What influence are niche strategy and target marketing exerting in the INT process?*

Erik:

- focus op niche-producten: niche-producten met merknamen zijn leuker om te verkopen
- bij massaproducten te veel prijsgevecht
- ook andere strategie belangrijk: ik wil mensen overtuigen dat ze wel kunnen fietsen zonder pijn (ISM) ↔ niche: ISM zadels zijn uniek
- uitdaging: ISM onder aandacht brengen bij juiste mensen
- voordelen ISM tegenover massaproducten zoals Selle Royal: bij alle zadels kun jij last van zadelpijn hebben aan de voorzijde - met ISM concept niet
- inspelen op gezondheidstrends = big issue: klanten met zadelpijn gaan zelf op zoek naar oplossingen

???*Could you please describe your company's pre-internationalisation, internationalization and eventually your post-internationalisation stage in case of disinvestment/market exit ? (based on Kamakura, 2012)*

Erik:

- **preINT-phase:** uitbreiden in NL markt
- zag bij groothandel dat interesse voor ISM er niet was bij winkeliers, terwijl ik wist dat het wel een oplossing voor veel klanten zou kunnen zijn: dus begonnen op zolderkamer met 1 site en met een kleine google campagne - binnen een week eerste zadel verkocht – toen gelijk het idee: wat in NL kan, dat moet in andere landen ook lukken → drive: ik moet hiermee doorgaan
- binnen mogelijkheden groeien die jij hebt: voorbeeld: site: frontpage Miicrosoft-betaling online ermee niet mogelijk- dan zoeken naar betalingsfunctie: shopfactory
- keuze voor online-strategie en niet voor vertegenwoordiger: online echt mijn keuze, want basisidee erachter: 1) ik kan het online goed onder aandacht brengen, 2) zadelpijn is te persoonlijk om ermee naar de winkelier over te praten- e-mail gemakkelijker → afstand is hier dus voordeel voor verkoop
- **INT-phase:** Duitse markt betreden: was eerste en enige in Westeuropa (ISM)
- idee: dat kan iets groots worden- dus ismseat.nl en .eu organiseren: ISMseat.eu overkoepelde motherpage en ook per land een site (daughterpage)
- **punt bereikt wanneer exit Duitse markt (postINT-phase):** voordeel internet- ik investeer er niet meer in- kost mij alleen de naamregistratie site: dat is 10 €- dus bij verkoop 1 zadel heb ik al winst
- ga Zwitserland niet bedienen want geen EU-land- te veel documenten in te vullen
- EU dus heel groot voordeel: munt, ook geen valutaschommelingen, geen douaneformulieren- maar bij CH: te veel gedoe met formulieren, moet ervoor extra naar postkantoor in plaats van dat GLS dat pakketje meeneemt (GLS en CH: te hoge kosten want dat moeten zij het formulier invullen)

???What is your INT growth strategy /plans for the next 1,2,3 years and for the long-term horizon?

Erik:

- nu te veel ad-hoc-planningen
- bij Rossir wel focus als overkoepelende site
- twee benaderingen consument:
 1. **online** via google zoeken naar zadelpijn en merknaam Rossir via website(s) promoten
 2. **offline:** meer sponsoring en beurzen (op dit moment geen tijd en geld ervoor)- wel groeiplannen
- fout in het verleden: te veel enthousiasme: nieuwe merken in de lucht gegroeid en hopen dat het goed gaat verkopen
- nu meer richten op merken die wij al hebben en een mooi geheel van maken
- per merk en per land het merk sterken neerzetten = een goed geheel van maken
- Rossir concept ook strakker uitrollen-concept Rossir: verkopen unieke sportproducten
- geen groeiplannen nu alleen ad-hoc management zolang wij geen investeerder kunnen vinden
- geen andere mogelijkheid om het anders te doen- ad hoc noodzakelijk
- hebben 8 merken nu onder de leiding- focus nu op deze 8 merken , hebben 20 merken onder controle gehad

Internet's effect on the SME

???What are the benefit of internet / e-commerce regarding the internationalisation of SME's?

Erik:

voordelen:

- minder asymetrie of information (zie boven)
- lanceren site gemakkelijk - redelijk gemakkelijk om sites in andere talen op te zetten
- kennis van SEO google heb jij al--> gemakkelijk kopiëren naar andere landen-sites
- basiskosten en basiskosten heb jij al --> gemakkelijk 'copy' naar andere sites
- omloopsnelheid per product gaat omhoog = hoe vaak je gemiddelde voorraad verkocht wordt- bij ISM 20 stuks

???What are the risks /problems of the internet /e-commerce? (based on Freeman (2006)

Erik:

- volgende uitdaging: klanten op sites overhalen tot verkoop – nieuwe tactiek: kijken wat voor klanten op site en daarmee proactief conversatie aan gaan= door chatfunctie het vraaggesprek klant-winkelier simuleren
- grootte **nadeel** e-commerce: consument wordt te veel beschermt er zijn te veel regels die uitgaan van oplichters op internet
- bijvoorbeeld: het retourrecht - jij moet kosten voor retouren betalen - sinds juni 2014 niet meer (*EU-recht*)
- EU en overheid gaan ervan uit dat mensen op internet allemaal oplichters zijn - vergeten dat mensen offline ook tankkosten en parkeerkosten hebben

- retourquote nu max. 10%
- als mensen fysiek shoppen wel het gevoel: hier vindt ik kan prettig shoppen - op internet: gevoel van vertrouwen moeilijk over te brengen op internet
- KOOP moeilijk- klant aanspreken in fysieke winkel als de winkelier het gevoel heeft dat hij van plan is om te kopen → is op internet lastig
- vertrouwen genereren door chatfunctie = face-to-face-communicatie (wordt geregeld door gespecialiseerd chatservice- bedrijf)

INT motives

???What are your motives to partake in INT ? (domestic saturation, profit maximisation risk spreading)

Erik:

- winstmaximalisatie
- zadel verkopen omdat jij mensen wilde helpen - niet allen dollartekens
- value for customers
- uitbreiden markt

Future /sustainable competitive advantage

???What are your plans to achieve competitive advantage on the long term -to achieve a sustainable competitive advantage?

Erik:

- ISMsattel de was eerste op Duitse markt
- 'Senseosport' was eerste concurrent
- ISM heeft Senseosport contacteert omdat voorraad ISM op was- Senseosport wilde niet aan ISM verkopen want concurrentieverhouding
- nog een site= Duitse importeur (is Nederlander) bijgekomen
- sinds 2 jaar 'dosenschuiver', soort Amazon actief: Wiggle' uit UK met NL, I, D versie = Wiggle gaat onder consumentenadviesprijzen zitten – 20% onder ISMsattel.de – prijzen :
- Probleem: importeur in UK levert aan Wiggles. ISM afspraken: deze krijgt geen nieuwe zadels / voorraad meer van ISM en zijn distributeurs
- ISM en senseosport: gelijk prijzenniveau- houden het scherp op de richtprijs(*UPE= recommended retail price*) , gaan niet eronder verkopen, maar wiggles duikt eronder

Concurrenten:

1. Senseosport
2. Wiggles
3. importeur: NLER die in D woont, die fietswinkels afgaat om zadels te verkopen - in de toekomst meer B2B uitbouwen door telefoonmarketing

--> concurrentie toegenomen

- 'competitive advantage' behouden: B2B uitbouwen en B2C versterken, want daar is meeste marge te halen

Key success factors of Born Global /INV

???What are the key success factors for your firm to succeed in internationalisation?

[Knight, 2004: global technological competence, unique product development, quality focus] of [Dimitratos, 2003: sufficient human, financial capital, global vision and experience of founder, competent networking, customer-oriented focus]

Erik:

Knight factors van toepassing:

- global competence
- unique product
- and quality focus

Dimitratos factors van toepassing:

- experience of founder
- networker
- customer-focus

- ISM diversificatie: elk jaar 1 nieuwe zadels, in 2014: 2 nieuwe zadels
- goede verhouding met oprichter ISM: rechtstreekse inkoop groothandel ISM in NL en België loopt 10/2014- dan wordt ik importeur met kortingsrechten- wil onder het radar blijven, omdat hij nu grootste verkoper zonder officiële status en dealer was voor landen die nog geen ISM importeur hadden → rare situatie ISM binnen ISM Europa

Born Global as hype?

???Do you consider INV/BG just a hype or a long-term trend? Why?

Erik:

- alles op internet kan hype kan zijn = kan altijd
- Born-global is geen hype
- op internet is niets zeker - veel bedrijven gaan ten onder aan internet: Neckermann, Schoenenreus, Selexy zijn nu failliet – had wel mogelijkheid BOL.com over te nemen
- bedrijven waarvan wij nu denken dat kan niet meer stuk- kan wel stuk!
- Zalander of Amazon veel kapitaal maar geen winst - gaan zich de markt inkopen- volgen strakke strategieën doen geen ad-hoc management- maar kleine bedrijven moeten er wel winst uit halen- focussen op mooie plannen zinlos, daarom dus ad-hoc management

Government policy changes to support INV

???What can the government / EU do to support INV/ BG?

Erik:

- ondernemer moet het zelf oplossen, overheid creëert setting/infrastructuur
- informatie over EU regelingen: geen kennis van:- zoekt kennis erbij als het probleem ontstaat = weer ad-hoc
- Kamer van Koophandel zou beter kunnen informeren
- weet niet waar hij informatie vandaan moet halen- KvK kan beter opklaren
- (als bedrijf) gefocust op klant- niet op regels eromheen

2.2. Investigative background interview

Key informant: expert regarding the German bike market

Aim of interview: to gather background information in order to acquire an overview over the German bike market, to gather facts and other noteworthy information

Place and date: Heidelberg, 16th July 2014, 18:30 h -19:25 h

By Telephone

Length: 55 minutes

Language: German/English

Agreement: no recording of interview due to ensure confidentiality and company's custom

Transcription note: According to academic custom, investigative background interviews need not to be completely transcribed.

General information

Who are you?

Siegfried Baum

What is your function, tasks and responsibilities?

- Head manager sales and distribution for Hart whole sale company for service parts for bikes, cycles and cars , only B2B,
- company services merchants and online shops
- is responsible for Germany East, comprises the states of Mecklenburg-West Pomerania, Brandenburg, Saxony, Saxony-Anhalt and Thuringa

Please describe your company?

- Whole sale company, ships parts to merchants and online shops in the cycle (bike and motorcycle)segment and also
- distributes service parts for bikes, motorcycles and car parts
- founded 1896
- since 2008 office in the Netherlands, since 2012: entry to other countries
- please see: www.Hart.de for more information

How many countries are you servicing?

At the moment we have 8 subsidiaries at foreign countries.

What is the (estimated) account of foreign sales revenue?

Estimated share of foreign revenue to total revenue: 10%, 90% is thereof domestic revenue.

Psychic distance

Are there any businesses differences (culture, language) of doing business in Germany and in the Netherlands?

- Mentality: yes
- Business culture: No, but the business culture is more structured as here in Germany, Price does not play such a pivotal role as in Germany, but respectability (Seriösität) and quality are highly valued in the Netherlands more than in Germany.

What are the advantages of a local subsidiaries for distribution?

Especially in the Netherlands merchants expect the wholesale to be Dutch as far it is possible, meaning customer service in Dutch is expected, Dutch employees, cars and tax regime are also expected.

- company can stimulate/ steer the market by its own
- direct cost sharing, but therefore direct profit contribution without necessity to share them with distributor and other agents

Is a online and niche entry strategy a optimal strategy for ISM Seats?

- Online is possible, but the potential customers must be enticed and interest propelled by promotional activities like event-marketing, whole sale promotions, working together with a brand distributor
- important to have a well-acknowledge brand name
- stimulate demand by doing end-consumer marketing, they must perceive the product
- in case of race seats, a subsidiary is not necessary
- Non-online strategy for traditional bike products, thus a subsidiary is not necessary for race seats
- In case of a small company niche is better to yield higher revenue with a lower sales volume , in case of medium-sized company a mass-market strategy is suitable to cover the higher costs

What are the main competitors/ players in the high end market segment?

We distribute 'SMP' and 'fi`zi:k' , which are the high-race seats offered by the mainstream brand 'Selle Royale'.

Could you describe the high-end race customers ?

- Racers doing a lot via the internet, they do not go to merchants, because the internet is cheaper
- racers do a lot DIY
- 80 % of high-end racers buy online.
- race freaks: estimated 10000 or higher, hence its a large target customer group
- racers idolize professional 'Tour-de-France' racers – they can best be approached by professional bike magazines, blogs, product test sites in those magazines

What are the possible barriers or constraints in entering the German bike market?

- language is an important factor: websites needs to be in German, flyer too
- B2B: resistance on part of the merchants regarding innovative, new products, they need to be persuaded
- main logic: e-commerce is counter-productive for merchants.
- In Germany , we have excellent bike mechanics but they are no good businessman
- 90% of all complete bikes are sold via merchants, and 10% are sold online- because shipping is complex and bikes needs a intensive service to make them ready to ride
- online strategy is suitable for service parts, 20-30% are sold via online trading

What are the benefits of e-commerce?

- larger customer group
- not location-dependent
- online shops are able to offer a better price due to lower costs and a quick delivery service.

What are the disadvantages of e-commerce?

- Customer order the wrong product
- no/ nearly none competent consulting service like this is done at merchants

What are the success factors a online shop for bike parts needs to possess?

- high quality product
- delivery within 3 days
- always up-to-date information on website regarding the availability of products
- no blackout of website infrastructure (front and back-end),

- networking is important regarding the bike business, to get product launched into the distribution channels
- offer products on trade fairs, and get into personal contact with the sales force to promote them - most-important, guiding trade fair: Eurobike in Friedrichshafen

How important are macro -economic and other factors?

- they are playing a role. For example the weather has a huge impact: approx +/- 10 % regarding the revenue
- unemployment rate at a regional level has an influence
- innovation of products at micro level is affecting sales- 10-20% share of innovative products on total revenue

Who are the main online bike competitors and how could you describe your experience with those online dealers?

- the main online dealers are fahrrad.de or bike24.de.
- approx. 75% are established online dealers
- approx. 50 % of new entrants/new starters fail because they imagine things too simple, they neglect the core business aspects like having a good management of procurement, logistics, enough manpower
- also the price pressure is very high on the internet because the customers compare the prices daily on a EU or even global-scale- so often the online dealers have no margin and profit on some products

Since when you perceive the uprising on bike-related e-commerce?

Since 5 years (2009) there is a customer churn towards online trading. Many merchants now have direct online shop or they are using intermediaries like Amazon and Ebay, hence they are using a click and mortar strategy.

- the merchants then just doing the logistics and shipping
- e-commerce is not a hype but will be further developed

What could governmental institutions do to support the bike trade?

Problem with e-commerce is that there is no price stability although there is a recommended retail price. The Bundeskartellamt supports only the e-commerce side, based on a ruling in June 2014. Now the producer or whole sale company must deliver the ordered goods (see court ruling) and is not allowed to forbid the delivery to online shops, even when online dealer undercut the recommended retail price. Now there is a lot of disturbance in the market. Although price stability is wanted by traders, it is not achievable because the recommended retail prices are continuously undercut by online dealers.

Also there are many EU-rules that are not beneficial to the German bike markets and the customers, because nowadays everyone can open a bike shop without a master craftsman's diploma. The one-fit all idea of the EU-idea is not working, because every country has its own trading and market structure and customs.

Appendix C: List of Born Globals concepts and similar concepts

Authors	Background	Conclusion/result
(Hedlund & Kverneland, 1985)	'Leapfrogging' Firms that jump over stages in the traditional models	More and more homogeneous export-markets. Internationalization as a part of the firms strategy.
(Young, 1987)	Theoretical discussion of the results from (Hedlund & Kverneland, 1985)	Agrees in the conclusions regarding leapfrogging, but only for high-tech firms
(Ganitsky, 1989)	Innate exporters. 18 exporters from Israel which are Born International	Firms which are Born Global adapt to a high degree their strategy to the foreign markets. Lack of resources and experience
(Jolly et al., 1992)	High Technology Start-Ups. Four case studies of high-tech start-ups	From the start these firms have their strategy pointed towards the global niche markets. Founder with an international experience
(McKinsey & Co., 1993)	Born Global. Survey amongst 310 production firms with a new export	25% of the firms had an intensive export within the first two years after the foundation of the firm. Export in average 75% of their sales
(Cavusgil, 1994)	Born Global. Interpretation of (McKinsey & Co., 1993)	Small is beautiful Gradual internationalization is dead
(McDougall et al., 1994)	International New Ventures. 24 case studies.	A strategy from the birth directed towards the international markets. The stage models are not usable any longer
(Oviatt & McDougall, 1994)	12 case studies – same as in (McDougall et al., 1994). Firms with a proactive international strategy	An INV is a <i>business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries</i>
(Bell, 1995)	Small producers of computer software. Most of them have to be international from the start	'Psychic distance' is no longer usable. No support for the stage models.
(Bloodgood et al., 1996)	Firms with a 'high potential' for growth	Internationalization depends on the international experience of the founder. Even small firms in the USA have the possibility of being international from birth
(Knight & Cavusgil, 1996)	Born Global. Summary of existing research + articles from newspapers. Firms with an export of 25% or more within the first 3-6 years	Factors that lead to the existence of Born Globals: Growing number of niche markets all over the world. Changes in production and communication technology. Growing number of international networks.
(Madsen & Servais, 1997)	Born Global. Summary of existing research + a number of Danish case studies	The classical stage models are valid for the Born Globals if the founder's experience and the internationalization of the markets is taken into consideration.
(Jones, 1999)	International Entrepreneurs. Firms with a large international network at the foundation. Questionnaire amongst high-tech firm in England.	Internationalization of the firms often starts with networks, which does not have anything to do with sales. Many different roads to the internationalization of these firms.

Table 1: Similar concepts that resemble the BG concept

Source: Rasmussen, 2002, p.13