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Exploring Internationalisation for Online Service Providers

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PREFACE

When this thesis was initiated in January we were curious to learn more about an interesting and relatively new field of business as well as excited about getting to know a fun and fast growing company. The weeks leading up writing this have brought questions, discussions, frustration, and long hours in front of our computers, but mostly we have gained insights, understanding, and a feeling of accomplishment. For good advice along the way we would like to thank our supervisor Per Siljeklint that has been an excellent sounding board. We would also like to thank the employees at CompanyX that we have had the pleasure to interview, and a special thank you to our supervisors at CompanyX that have provided us with much needed information and input from CompanyX along the way, we hope you feel that this thesis has brought CompanyX some clarity and value. Lastly we would like to thank our loved ones for helping us out with smaller but appreciated matters such as lunch boxes and pep talks.

We hope to see you all again when we now leave the world of Lund University and take on the real life.

Lund 11th of June 2014

Catharina Hedborg & Klara Themner

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ABSTRACT

Title: Exploring Internationalisation for Online Service Providers

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Background: There are many theories regarding internationalisation and growth but not much is written about the subject in a combination with the online business field. As Internet actors are increasing in number, the area is interesting in several aspects.

Purpose: The purpose of this study is to define important factors regarding internationalisation of online service providers.

Method: A literature study is conducted together with a case study of five market entries for an online service provider. The case study has a qualitative approach and is mainly based on semi-structured interviews with market managers at the target company.

Theoretical framework: The study's frame of reference includes theory regarding internationalisation, service management, and online business.

The analysis model used in the study is built up from three theoretical frameworks: the PEST analysis, the CAGE distance analysis, and the Three Cs analysis.

Results: Several different factors were found to be of importance for online service providers looking to enter a new market. Summarized the factors found to be of importance were cultural distance (including the aspect of trust), the development rate of Internet usage, the maturity of the market for the service technology, and the company's presence on the market. The most important factor for the enabling of a successful market entry was found to be the knowledge acquired of the market and the target market before the entry, which could greatly contribute to faster reaching the target market and possible suppliers.

Some factors were also found to be specific for the target company, which indicates that there are additional factors of importance to be found for every specific company and their field

of business.

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API	Application Programming Interface
B2B	Business-To-Business
B2C	Business-To-Customer
CPA	Cost Per Action
CPC	Cost Per Click
GDP	Gross Domestic Product
ICT	Information and Communication Technology
OTA	Online Travel Agency / Online Travel Agent
PPC	Pay Per Click
PR	Public Relations
SEO	Search Engine Optimization

1 INTRODUCTION

1.1 BACKGROUND

Internet history goes back to the 1960s. The US Defence funded research projects in packet switching, which linked computers and became the ARPANET. The ARPANET later evolved to the Internet as an infrastructure, which enabled the web and the usage of the Internet around the world. Dutton (2013) Back then it was impossible to predict what possibilities the Internet would create and the impact it has on the society today.

As Internet has become an important arena, the number of online ventures is constantly increasing and new business models are developed to challenge offline sectors. Online industries are growing rapidly and in many cases it is difficult for traditional companies to catch up. Internet connectivity and digital technologies are spread all over the world. Between 2005 and 2012 cross-border Internet traffic has grown 18-fold. About 2.7 billion people had Internet access and two-thirds of the world population had mobile phones in 2012. (Manyika et al., 2014)

Online services and software growth is incredible and in a recent report from McKinsey & Company (2014) these companies are referred to as supergrowers. One-year-old companies dare to turn down buyouts of billions, optimistic to get a multibillion offer a few months later. Growth for these new actors is key. It yields returns and long-term success, and it has also proven to have greater importance than margins and cost structure. (Kutcher et al., 2014)

Internationalisation of companies is a wieldy examined field in literature and articles. There are many well-established theories regarding how a company should act when entering a new market. Philip Kotler is internationally recognized for, amongst other things, his book Marketing management. However, the rules have now changed when a company does not need to be physically present on a market in order to enter it.

This project has been conducted in collaboration with CompanyX. CompanyX is an online service provider in the form of a travel metasearch engine, comparing flight ticket offers. The company started off in 2006 and strives to become a global player, available for all travellers around the world. They have opened up their website in a variety of markets and continue to grow aggressively. CompanyX very well represents the new category of online service businesses questioning previous internationalisation modes and is an interesting object of research for an unexplored field of internationalisation.

1.2 PROBLEM DESCRIPTION

An online actor can enter foreign markets without having to do so physically. This changes the situation from previous theoretical reasoning and, as mentioned earlier, not all research is applicable for Internet businesses. As literature is falling behind, it is difficult to find written material about strategic matters for e-businesses. Reviewing published articles brings a somewhat better description of the online situation but very few frameworks have been presented. With the Internet as a growing market arena, there are more actors than CompanyX with interest in the field.

Despite the fierce competition, CompanyX has had a remarkable growth during the last years and has good chances of becoming a truly global player. The travel metasearch engine has been successful all the way, but felt the need of evaluating their accomplishments with an outsider's eyes. This report takes one step back and reflects upon the procedures for recently opened markets and uses theory to pin out what actually applies for online service providers.

In this report the approach has been to examine the company's previous market entries in order to better understand how these have been conducted and what the strategic purpose has been. In trying to comprehend the situation better, traditional market analysis tools have been used. It is investigated whether it is possible to use these for an online company too, whilst there is an absence of directly applicable methods.

Fast-growing online service providers have little time for market research yet there is a need of understanding what aspects matter when entering a foreign market. By scrutinising CompanyX's experiences in internationalisation with the existing market analysis tools, this reports tries to answer what important considerations there are for online service providers.

1.3 PURPOSE

The purpose of this study is to identify factors that can affect a foreign market entry for online service providers.

1.4 DELIMITATIONS

- This report examines the field of international market expansion. Other strategic issues will not be dealt with.

- CompanyX offers flight searches, hotel searches and travel guidance. This report only investigates the first part, flight searches.
- A case study of the travel metasearch CompanyX has been conducted, neither other companies in this area nor other industries are treated.
- The data used is mainly collected from interviews with CompanyX, which has affected the analysis in the way that it is limited to only cover CompanyX's perspective on different matters.
- Due to confidentiality, sensitive data from CompanyX is not treated in this report.

1.5 DISPOSITION

The disposition of this report is shown in *Figure 1*. The study begins with an introduction chapter followed by the methodology describing and explaining the execution of the study. This part also evaluates the different sources that have been used.

The theory chapter has been divided into two parts: *Frame of Reference* and *Models and Frameworks*. In the first part the reader is introduced to general theory around internationalisation, service management and online business in order to get a better understanding of these areas. The second part describes the models and frameworks that have been chosen for the analysis and that together make up the analysis model.

In the empirics the reader is first presented to a description of CompanyX's current situation in general. Thereafter the five target markets are described more in depth and lastly some general thoughts of market entries for all markets are consolidated.

An analysis model has been constructed that divides the analysis chapter into three parts: *New market characteristics, New market distances* and *New market strategies.* The three parts compare the information about CompanyX's markets that were presented in the empirics, from three different aspects of market entries.

Lastly, the results from the analysis are presented and a discussion regarding these is made. Together this leads to the conclusions for the study.

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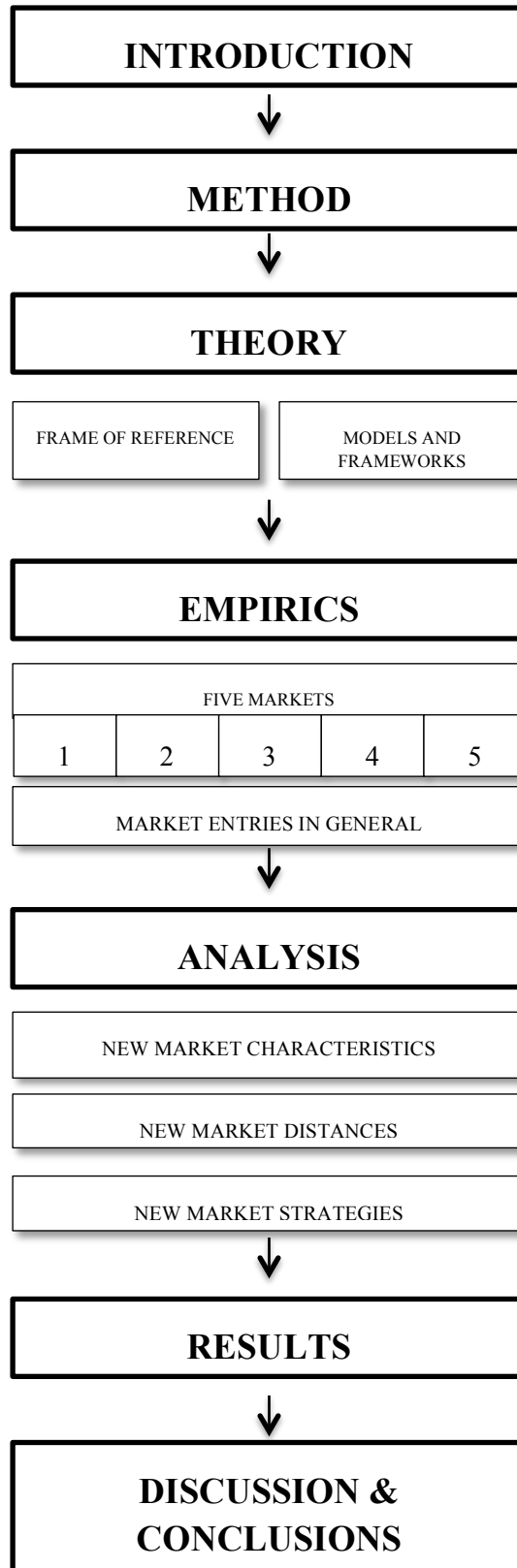
Figure 1: The disposition of the report

2 METHODOLOGY

In order for a project to reach its full potential it is important that a method is chosen that fits for the specific purpose. The methodology is the basic description of how to carry out the project and it is used as a framework for the different procedures to come (Höst et al., 2006). How to choose methodology depends on the characteristics and goals of the project. As for this project, different parts of the study will use different methods. The method is chosen to achieve reliability, structure and support in the outcomes.

2.1 PROJECT EXECUTION

This project has run for 20 weeks. Initially the focus was on of creating knowledge and understanding of CompanyX as a whole, and to get a picture of the organisation. After discussions with supervisors from CompanyX and the University a purpose was formulated. Thereafter, a lot of time was spent looking through existing literature and articles, to get insight in what has been studied before and what researches that already existed in this field. Little was found that was adapted to the problem at hand, and it was decided to focus on three main areas namely: Internationalisation, Service Management and Online Business. Searching for relevant theory continued when interviews were held and throughout the project. All interview material was transcribed in order to have it reviewed by each interviewee and to process all given data once more. When all theory and empirics was assembled, an analysis model was constructed with a base in the theory and used in the analysis chapter. Thereafter the results were identified and discussed.

2.2 RESEARCH PURPOSE

There are different overall purposes when composing a scientific study. With the diverse purposes come different goals and characteristics. The purpose of a *descriptive* study is to find out and explain how something is performed or works. An *exploratory* study does the same as the previous, however searching to get a more profound understanding. The *explanatory* study looks for relationships and explanations of how things work and are performed. Finally, a *problem solving* study aims to find a solution to an identified problem. (Höst et al., 2006)

This report is initially descriptive and exploratory by picturing the business practice of CompanyX through empirical data mainly collected through interviews. Further, it analyses and compares collected information regarding

different market entries for CompanyX. The study has an explanatory purpose in trying to find connections between these markets through similarities or deviations. Ultimately, this project evolves to a result, identifying important aspects for an online service provider looking to expand internationally. Investigating what the obstacles and opportunities are, as well as important factors affecting the outcome of the internationalisation, is also conducted with an explanatory research purpose. All in all, the project takes an explanatory approach as to how market entries for online service providers should be conducted.

2.3   RESEARCH METHODS

The research method can be described as to how the project deals with data and where the starting point of the project is, either in theory or in empirics.

2.3.1   QUALITATIVE AND QUANTITATIVE RESEARCH

Research methods can be qualitative and quantitative. The difference between them is that for quantitative research the collected data is expressed in numbers rather than in words, symbols, pictures, (Höst et al., 2006) and so forth. There is also a distinction in how the analysis is executed; whether calculating methods for statistical diagrams are used or if it is conducted out of reasoning. A quantitative approach usually is applied when the research is cross-sectional and case studies tend to entail qualitative research methods. However, either type of study can be performed no matter how data has been gathered. Even though the characteristics go apart, the study usually is a combination of the two (Lekvall and Wahlbin, 2001). Depending on if the project includes qualitative or quantitative research it will be shaped differently. Below in *Table 1*, some of the differences are presented:

Table 1: Differences in a study depending on Qualitative or Quantitative research method. (Starrin and Svensson, 1994)

	Qualitative Analysis	*Quantitative Analysis*
Objective	From variations, structures and processes, discover and determine properties, meanings and phenomena	To examine how already defined facts and its properties distribute in situations, populations, and other circumstances To investigate if there are connections between two or more phenomena
Problem	What is it about? What does it mean? What characterizes the occurrence?	Is there a relationship between X and Y? Is X more commonly figured than in other groups or contexts?
Research method	Abductive and explorative	Deductive and explorative
What to discover	Structures and variances with attributes, content and incidents	Relationships between attributes, content and incidents

Qualitative studies include a number of research methods and data collection can be made in different forms. *Observation* is when the researcher can participate and get engaged in a certain situation or environment to observe and listen. By participating, it is possible for the viewer to get a picture of the culture in the particular context. *Qualitative interviews* are a concept covering different kinds of interviews. These interviews can be both semi-structured and unstructured. *Focus groups* means respondents are gathered and questions about a certain situation or subject is dealt with. Questions and issues are interactively discussed in the group. (Bryman, 2001) These are some of the applicable qualitative instruments and will be further discussed in chapter *3.5 Data Collection*.

Investigating the possibilities around international market expansion for companies like CompanyX, this report is based on a fully qualitative research method. This report searches to find important considerations when expanding online, based on theoretical research and earlier experiences from specific cases for CompanyX. Their process of internationalisation is examined from interview data in order to find important factors and distinguish which ones that are key for success.

2.3.2 DEDUCTION AND INDUCTION

The research method is also described as either inductive or deductive. Using an inductive approach, the investigator uses observations or interviews to understand facts. By understanding a situation or an environment the researcher tries to make conclusions and create theory. The other option described is used if the researcher wishes to know what the general theory says about the future development. Using theory to understand what will happen in a certain situation, can then be verified by going back to compare theory with the outcome. (Arbnor and Bjerke, 1994) If your research goes back an forth between theory and the empirics, this can instead be referred to as abduction (Björklund and Paulsson, 2012).

The latter alternative, abduction, was used in this report since the writers first gained knowledge in theory to then hold interviews, as well as after holding the interviews going back to theory, to gain deeper knowledge and understanding in additional relevant areas that were not treated before.

2.4 RESEARCH STRATEGY

According to Robert K. Yin (2003) there are three factors that the researcher needs to consider when deciding on a research strategy: "(a) the type of research question, (b) the control an investigator has over actual behavioural events, and (c) the focus on contemporary as opposed to historical phenomena." Further, it is explained that the conditions for a case study to be the preferred strategy is that: the research question is formulated so that the study will describe "how" or "why" something happens, that the researchers themselves have very little influence and control over the events that are studied, and that the events studied have a real-life context and are fairly current. (Yin, 2003)

2.4.1 CASE STUDY

A case study in brief is described by Yin (2003) as a "method that allows investigators to retain the holistic and meaningful characteristics of real-life

events – such as individual life cycles, organizational and managerial processes, neighbourhood change, international relations, and the maturation of industries."

A case study is typically made when investigating how an organization works. It describes a specific situation and the purpose affects that particular case. There is no intention of drawing general conclusions. However, if a number of case studies are made the probability of discovering an overall pattern increases. Even though clear indications can be found, there is still no statistical certainty, because the case studies have not been made from a random selection. (Denscombe, 1998)

A case study is a more flexible alternative than cross-sectional studies. The orientation and main questions can be changed during the process and do not have to be completely pre-determined. Data is primarily qualitative. When collecting qualitative data it is important to find interviewees with the largest comparative diversifications in order to discover all dissimilarities. Meeting people with different backgrounds, ages, genders, positions, will probably result in variances in opinions and perspectives. (Höst et al., 2006)

Case studies are focused on one or a few survey units, in the purpose of gaining a deeper insight of processes, relationships, events and experiences that appears in this specific unit. This is described by Martyn Denscombe (1998) and he goes on to say that the case study is characterized by emphasizing:

The depth of the study	*rather than*	The breadth of the study
The specific	*rather than*	The general
Processes	*rather than*	Results and end products
Holistic view	*rather than*	Individual factors
Natural environment	*rather than*	Artificial situations

Since the focus company very recently has penetrated several new markets and continue to do so, a case study of their expansion process can be shared from a number of knowledgeable persons in order to gain a profound understanding in this phenomenon. A cross-sectional study was not chosen because it inhibits the

depth of the research. The case study contains of five target markets where CompanyX's market entry processes are examined in depth in order to create a holistic view of the company's market entry processes.

2.5 DATA COLLECTION

When it comes to deciding on a method for data collection there are some research methods that tend to be associated with certain ways of doing this. This depends on informed theoretical reasons for why a certain method suits a certain strategy. Although it is not set in stone what method to use and this has to be considered for every particular project, therefor a data collection method needs to be chosen that is suitable in practice. (Denscombe, 1998)

The different methods of data collection of course have various strengths and weaknesses. Their differences makes them better fitting for some situations than others but they can also be combined to create an optimal approach for the project (Denscombe, 1998). Interviews, observations and archive analysis are three common techniques to combine for data collection in a case study (Höst et al., 2006). Presented below are the methods for collecting data that are interesting for this project and how they will be combined.

2.5.1 INTERVIEWING

Interviews are used when the project, with the purpose in mind, will benefit from obtaining data that will give deeper insights in the subject, although this only builds on the information from a lesser number of informants. To make sure that interviewing is a good option two questions can be asked (Denscombe, 1998):

- Does the project really need that level of detail in information that interviews provide?
- Is it sensible to trust the information gathered from a lesser number of informants?

One motivation to use interviews can be that the needed data is based on privileged information only accessible through key people in the field that has a certain valuable position in for example the target company (Denscombe, 1998).

For this project, interviews were essential in order to get insight as to what the actual procedure of a market entry looks like, and what were the reasons behind the decision of going there. Gaps in literature were identified and very little

published material could be found. Hence, interviews quickly became the most important source for the study. The number of interviews, five with country managers and one with head of markets, was considered to be sufficient for this topic. Further interviews could have given a wider perspective and additional reliability. On the other hand, further objects could possibly harm the depth of the analysis. In addition, the scope was constraint to the number of employees who had actually been taking part in a country entry, and could share these experiences. Another company could have been examined in addition to this for yet another dimension and a more general conclusion.

Preparations for the interviews are important to be able to obtain as much valuable data as possible. An interview can be structured, semi-structured or open (unstructured) (Höst et al., 2006). What differs between the techniques is the level of control that the interviewer has over the course of the interview. In a *structured interview* the interviewer has a pre-determined set of questions to ask and the interviewee is not allowed to go off-topic. The *semi-structured interview* has the same starting point, with a decided set of questions, but the interviewee is aloud to go off-topic and the interviewer might ask follow-up questions that were not included in the pre-decided questionnaire, at the same time as still steering the direction of the interview. The *open interview* is where the interviewer releases all control of where the interview is going, lets the interviewee decide what course the interview takes and only interferes in order to secure that the topics are relevant to the project. (Denscombe, 1998)

In this study personal interviews were used with one interviewee at the time in order to get as much information and insights from every key person as possible. During the interviews both authors were present, of which one person was leading the interview and the other person was taking notes. Questions were prepared but with a fairly open character, inviting the interviewee to reflect and add valuable information outside the agenda. It was in all cases a relaxed atmosphere and the three participants interpolated with input that sometimes changed the direction of the interview. The interviews were also recorded with a digital device and then transcribed for more reliable results. Transcribing the interviews gave the opportunity to reflect and remember valuable comments. Even though this is a time consuming task it was needed since, as mentioned before, the empirics is considered the largest source of data for the project.

The interview guides can be found in *Appendix A* and *B*.

2.5.2 *ARCHIVE ANALYSIS*

Archive data represents data that is composed or collected by someone else but the authors. The initial purpose of this material has nothing to do with the study performed. Gathered information from an external source can be used equally as any empirics, but should be treated critically. (Höst et al., 2006) Data considered as archive documents in this report has mainly been internal documents provided by CompanyX. This information regarding the company has rather been used for the increased understanding the company and to get a holistic view of their business manners.

2.6 VALIDITY

The validity of the study is measured in different aspects such as the conclusions being substantiated, that the results are addressing the purpose of the study, and that the results are general. Validity is usually categorized into reliability, validity and representativeness. (Höst et al., 2006)

2.6.1 *RELIABILITY*

The accuracy of the data collection and analysis is what defines the projects reliability. A high reliability can be achieved through a meticulous gathering of data and an elaborated analysis where the reader can understand exactly how the study was carried out and what the analysis is based on. (Höst et al., 2006) In a case of qualitative data collection and analysis, presenting the consolidated data from interviews to the interviewee, in order to make sure that perceived facts are correct, can increase the reliability. (Höst et al., 2006)

In this case study, the transcribed interviews were not sent back for correction, instead the writers summarised the content to shorter texts for the interviewees to review. All parts of the report were at some point scrutinized by company representatives in order to ensure correctness. Reliability was also achieved by the fact that several interviews have been held on the same subject.

2.6.2 *VALIDITY*

Validity is defined by how well the received data is connected to the actual field of study. One method for increasing the validity of a project is to practice triangulation, which is to study a certain object by using a few different methods. (Höst et al., 2006)

Having a knowledgeable supervisor representing the University secures that the obtained theory is used and treated accurately. Some data from interviews have been triangulated by archive material. The given information has been examined so that it corresponds to the written documents.

2.6.3 REPRESENTATIVENESS

The representativeness of the results in the study depends mainly on the selection of study object. In a case study the results are rarely very representative since it analyses a specific case and does not have a breadth as much as a depth in a certain field. However, if the context, to which the results are intended to be representative, is very similar to what is studied the possibility is higher that the intended objects would act alike in a similar situation. A well-described context is key to increase representativeness in a certain field. (Höst et al., 2006)

As previously mentioned, the representativeness of this thesis is lacking since it does not include additional angles from other cases than CompanyX. On the other hand, in many aspects the case of CompanyX can be applied to other expanding online companies. This case study is not focusing on the product or industry but rather on the context.

3 THEORY

In this chapter a frame of reference is first presented in order to define a base of theory that the project will build on. Thereafter the different models and frameworks that will be used to structure the analysis are described and motivated for their use in this project.

3.1 FRAME OF REFERENCE

In the frame of reference three different parts of the theory was chosen that is of importance to the subject dealt with in this project. These are *Internationalisation, Service Management* and *Online Business* and they are described generally. In each of these areas several interesting fields of study were found and these are further described.

3.1.1 PURPOSE OF INTERNATIONALISATION

There are several factors as to why a company would have the interest in acting on the international arena. Competition, increases in sales, lack of resources, better services are some of the reasons for why the domestic market does not always suffice. The advantages of internationalising ought to overweigh the risks that come with it. The decision of entering a new market outside the domestic one has to be made on correct assumptions supporting the act. A lot of resources and efforts are required and therefor a wrong decision can generate a lot of wasted costs (Keller and Kotler, 2012). Johnsson et al. (2008) point out four drivers that underpin an international strategy. The four drivers are described below:

1. Market Drivers
Standardisation of the market enhance internationalisation. What usually bring standardisation are firstly, similar customer needs and desires. There are fundamental human needs that are equal no matter where you go in this world. Secondly, the presence of global customers has an impact. A company with spread out customers usually internationalise in the same pace as its customer. Thirdly, the market can be a driver if the marketing is transferable. Brands that successfully market themselves, appealing more than just one crowd, benefit in globalisation. (Johnsson et al., 2008)

2. Cost Drivers
By getting the business engaged abroad, there could be cost savings for a company. These costs can be grouped into three categories; Scale economies,

country-specific differences, and favourable logistics. Scale of economies refers to increasing the volume to reduce production and purchasing costs. This phenomenon tends to occur in smaller markets, where the population is smaller and does not suffice for growth. It is also important for industries with high production costs. Country-specific differences mean that a company will internationalise if there are beneficial resources outside the domestic market. Some countries in Asia offer cheaper labour force than in Europe and off-shoring production has made companies go abroad. Lastly, favourable logistics may be a reason for having activities in a different country, in order to not increase the final value of a product. (Johnsson et al., 2008)

3. Government Drivers
Government drivers can ease a market entry, but sometimes they hinder companies to enter markets. All countries have specific regulations and restrictions regarding ownership, standards, capital flow controls, and much more. The economic openness differ geographically and also industry wise, something that the World Trade Organization aim to improve. (Johnsson et al., 2008)

4. Competitive Drivers
Two elements describe how the internationalisation strategy can be viewed as a more integrated strategy covering the whole world. The first one, independence between country activities, entails a bigger need of global coordination. A sudden event in one part of the chain may impact another. If a competing company in one market has a global strategy, the pressure increases on other actors since it is difficult to respond to the subsidies of the competitor. Global coordination, as mentioned before, means scales of economies, flexibility, and responsiveness that are hard to live up to. (Johnsson et al., 2008)

3.1.2 FIRST-MOVER ADVANTAGE

Further, a driver for internationalisation can be so-called first-mover advantage. Whether it is traditional business, IT or e-commerce, there are examples of those that succeeded with first-mover advantage, those who did not and the success stories of late movers. The basic idea of being first on a market, is the opportunity to create an initial and lasting impression on customers, lock in strategic partners, build strong brand association, and develop switching costs for customers. A company needs to come to conclusion whether it is beneficial to be first, or whether it is more likely to succeed following the leader. There can be great risks of being the pioneer as well. Costs are usually higher when new initiatives are introduced, it is more likely to make mistakes and having incorrect assumptions.

Followers may take first-mover's lead by lower costs and innovation, and if they catch up fast enough the risk is that all the advantages of being first are eliminated. The market entry needs to be rapid. However, it is important to bear in mind that in the long run, first-movers tend to be less profitable. (Turban et al., 2012)

Particularly for an online market place, three factors have been identified that can determine the successfulness of being a first-mover:

- The scope of the opportunity (the opportunity must be big enough for just one company and the company must be big enough for the opportunity in return)
- The type of product/service (advantages are easier to reach the harder it is for followers to differentiate)
- The company's ability to be the best in the market

When deciding on what strategy to apply, there are a number of questions to carefully consider. What approach to take for a long-term profitability, depends on resources and market characteristics. Before deciding on a strategy to gain first-mover advantage, the company should first consider how difficult it will be to follow if someone else enters first and what possible advantages a later entry might provide in better or lower-cost technology, or better adaption to customer needs. (Turban et al., 2012)

3.1.3 INTERNATIONALISATION MODES

In the literature it is common to present five different strategies for modes of entry into a foreign market. According to Keller and Kotler (2012) these strategies are indirect exporting, direct exporting, licensing, joint ventures and direct investment. They differ from each other in terms of commitment, risk, control, and profit potential. When the commitment from the company increases the control and the profit potential does as well, although so does the risk, which is the equation that needs to be considered when choosing a mode for entering a foreign market.

Indirect Exporting
Exporting is the entry mode that requires the least commitment from the company. Indirect exporting is when the company itself does not have an export department or contacts in the foreign country where the market entry is planned.

Instead an independent intermediate is used to get the products to market, either through buying them and selling them on or seeking and negotiating purchases for a commission. (Keller and Kotler, 2012)

The advantages of indirect exporting are the lesser need of an investment in combination with a lower risk. This is due to the company not having to develop an export department themselves, which will mean a low investment at the same time as the company will gain know-how from the international marketing intermediaries. (Keller and Kotler, 2012)

Direct Exporting

Unlike indirect exporting, companies that decides to choose the entry mode of direct exporting will handle their own exports which will mean a higher investment and risk but also a higher potential return (Keller and Kotler, 2012).

Direct exporting can be done through the following alternatives (Keller and Kotler, 2012):

- Domestic-based export department or division.
- Overseas sales branch or subsidiary.
- Traveling export sales representatives.
- Foreign-based distributors or agents.

Licensing

An easy way to enter a new market is through licensing. This can be done through letting a foreign company use the company's manufacturing process, trademark, patent, trade secret, or other valuable item in exchange for a fee. In this way the company can enter the market at low risk, but the disadvantages are low control, lower profit potential and the risk of the licensee becoming a future competitor. (Keller and Kotler, 2012)

Joint Venture

A joint venture is when the company enters a new market through creating a new local company together with local investors where ownership and control is shared. This differs from exporting in the sense that the company shares the risk and the profit with host country partner to sell or market their product. This can in turn be done in three different ways: *Contract Manufacturing, Management Contracting,* and *Joint Ownership*. (Keller and Kotler, 2012)

Direct Investment

The mode with highest risk is direct investment, but it also has the highest potential profit margins. This is because this mode of entry means that the development of a new and foreign-based production or assembly site, or offices in the market to enter. This mode has many advantages for production companies, such as lower freight costs, cheaper labour, cheaper raw material and so on. Although, the big investment it takes is a risk for the company, as well as other risks such as currency issues and government changes, and is therefor not often the first alternative. (Keller and Kotler, 2012)

Global Web Strategy

In addition to these five modes of entry, the development of the web has enabled a strategy where none of the above is fully needed for the entry of a foreign market. Included in this strategy is to adapt the website with country-specific content and services in order to reach existing customers that live aboard, international suppliers, and to build global brand awareness. The Internet has also become a way for companies to effectively conduct market research and to offer customers a safer way to buy products from abroad. (Keller and Kotler, 2012)

3.1.4 BORN GLOBAL FIRMS

A born global firm can be described as a company that conducts international business at or near their founding. The globalization of the worlds markets together with new information and communication technologies has had a big impact of international business, which has become a lot easier to conduct. Today, it is not only the big multinational companies that are able to go international, but companies of all sizes have the possibility to market their products worldwide. (Cavusgil and Knight, 2009)

The decision to become global at an early stage can depend on many different reasons. Some of these can be (Cavusgil and Knight, 2009):

- Seeking growth via market diversification, which can help a company grow even though their target market might be small or saturated in their original market
- Potential of earning higher profits on another market
- To serve previous customers that have located abroad
- Meet competitors more effectively by being where they are

- To improve the product by gaining knowledge and other resources that cannot be obtained from the home market.

Born global firms are small and medium-sized companies that become international in a couple of years from the founding and in that sense these type of firms have existed for a long time in countries with small domestic markets. Today born global firms are most often found in advanced economies such as Australia, Denmark and Japan but also in big emerging markets like China and India. (Cavusgil and Knight, 2009)

A strategy for born global firms is differentiation through providing distinctive products or services. Service uniqueness can be achieved with innovative features, which is intended to distinguish the firm's offerings from those of competitors. Many born global firms has the strategy to offer products or services that are better designed and has higher quality than that of competitors. The ability for a firm to do this can be crucial in order to be successful globally. (Cavusgil and Knight, 2009)

The differentiation strategy often also builds on a niche market approach where the superior and unique product or service is offered to a specific target market. This is since a niche market tends to be small, and therefor the alternative to grow, while still keeping the company's niche, is to expand globally to reach this niche in other countries. (Cavusgil and Knight, 2009)

Further, for any strategy the born global firm may have, it has been noted that small to medium-sized firms need to be inherently flexible in order to succeed globally. This is so they can be quick to respond to opportunities or customer requirements. Although, this does not mean that such firms do not engage in planning and have a clear idea of what they want to achieve but it is easier for them to adapt to changes. When these companies grow however, the need for strategic planning becomes bigger due to higher complexity in operations. (Cavusgil and Knight, 2009)

3.1.5 SERVICE MANAGEMENT

The second area of interest in this project is Service Management. There is no clear definition of a service but many have tried to define the phenomena. According to Grönroos (2007) one of the better ones are:

"A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems." (Grönroos, 2007)

A more comprehensible description can be gained by dividing the service concept into three general characteristics (Grönroos, 2007):

1. Processes consisting of activities or a series of activities
2. To some extent produced and consumed simultaneously
3. To some extent the customer is a co-producer in the service production process.

Another significant characteristic for most services is that interactions are usually present and of substantial importance. For web-based companies, the user (which is not always a paying customer) will mainly interact with the infrastructure and systems provided by the company and these interactions are equally important to the success of these services as the interactions with employees. (Grönroos, 2007)

The process characteristic is the most important and defining of the above presented. A key feature for this is that a service is a process that is produced and consumed simultaneously. This means that the user of the service does not gain any ownership of a physical good and this makes the actual experience of the process crucial for the success of the service. This phenomenon is usually referred to as 'inseparability' and this makes it hard to ensure that the same quality is maintained for every process. (Grönroos, 2007)

Growth of the Service Sector

The service sector has over the last years been growing and there has been growing global competition. New and foreign competitors are entering many service markets, which toughens the competition. Self-service is also a growing factor in the service industry, the consumer is getting more used to being able to do many things themselves online. For example are travel agents less needed when the consumer can book their own flights and hotels online and even compare prices in an efficient way. (Karmarkar, 2004)

The factors inhibiting the global growth of information-intensive services are language and culture rather than economics. This information trade differs from

manufacturing where manufacturing work has tended to migrate to countries with low production and labour costs regardless of language barriers or cultural differences. This means that these services, especially consumer services, will migrate in other directions where cultural and linguistic differences are smaller. Further, providers of information-intensive services often has low manufacturing costs and needs to maintain high knowledge in the firm and will therefor not profit from low labour costs. (Karmarkar, 2004)

An example of how these differences affect the market is the Chinese market. The Chinese language is concentrated even though being a large linguistic group. This leads to information-intensive service firms not being as interested of trading with this market while the low labour costs have attracted many manufacturing firms. (Karmarkar, 2004)

3.1.6 ONLINE BUSINESS

The final interesting area to study for this project is online business and its many different shapes. The World Wide Web has contributed to great changes, not only affecting the Internet and Information and Communication Technology (ICT), it has also had a significant impact on the offline world in areas like politics, science, media, entertainment, administration, and commerce (Dutton, 2013).

Online Portal Business Model

There are three main segments of Internet business models. The first one is *Community and Market Makers*, which enables product and information exchange, or includes a financial flow amongst the users. Examples of companies in this area are Facebook and eBay. They create networks that are supported by security agreements for users' personal information and the exchange of it. The second segment is *Service and Product Providers* of retail services, products, or both to the Internet visitors. All sorts of products are available on the Internet as well as services. iTunes offers digital media like music and video downloads and another company in the same segment is Amazon selling both digital and physical items. Thirdly, there are the *Portals and Search Engines* and in this segment you find actors like Google and Yahoo!. These companies channel traffic to other sites throughout the web. The three segments need to obtain new users and convert new users to repeated visitors. The online portals additionally need to capitalize user traffic. (Laseter and Rabinovich, 2011) These segments are shown in *Figure 2*:
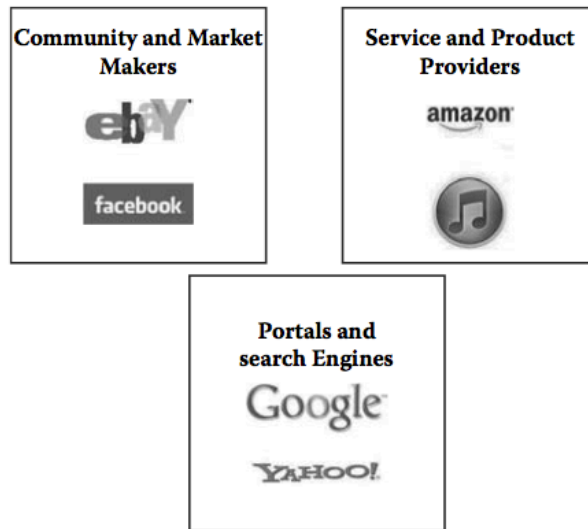
Figure 2: Online business models (Laseter and Rabinovich, 2011).

The three segments benefit and from each other and are co-dependent across the segments. As an example, service and product providers, whish high numbers of visitors and have to collaborate with portals and search engines to bring traffic. In the search of new opportunities many companies tend to go outside the segment borders to widen their offer. The competition grows, and companies have developed different degrees of innovation and functional integration. A diagram of how different online portals operate is given in *Figure 3*. (Laseter and Rabinovich, 2011)
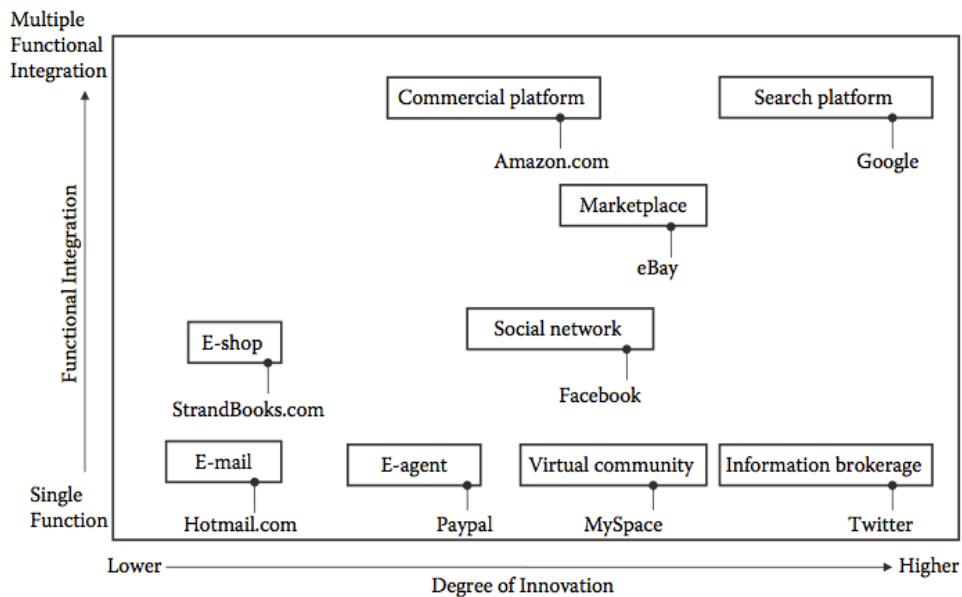
Figure 3: Business models' innovation and functional integration (Laseter and Rabinovich, 2011).

Metasearch Engines

Metadata, or meta-information, is defined as data about data. It is a description of a digital document's content. More accurately for this particular report, the term *descriptive meta* can be of interest. Descriptive meta refers to the actual content and is not treating storage systems. (Nationalencyklopedin, 2014) As Internet information grows the need of orientation and finding the right sources becomes more important. The search engine is an efficient tool to access the web. Nevertheless, no search engine manages to cover the entire web and usually only 30–50 % of the total resources are incorporated. Due to what algorithms, mechanisms, and ranging is used, the result may get a low recall rate and precision ratio for single search engines. Instead of comparing a number of search engines to get better results, a metasearch engine can be used. A metasearch engine is a tool that gets a combined search result using a number of independent search engines. Consequently, the user gets greater web coverage. This metasearch engine's website has its own interface and the organised result is presented in a new, unified format. A metasearch engine searches in real-time and is less complex than the single search engines. Metasearch engines struggle with keeping its users since these easily change in between different providers. It is important to offer an accurate result, and to differentiate and personalize the service. (Ying-cheng and Qing-shan, 2012)

3.2   MODELS AND FRAMEWORKS

The models and frameworks presented were chosen in order to give the analysis structure and reliability and at the same time cover the most important areas of the research.

3.2.1   PEST – NEW MARKET CHARACTERISTICS

Evaluating whether a market is interesting or not, can be done through using the PEST framework (Johnsson et al., 2008). It clearly covers many important aspects and is a relatively easy tool for a company to use. Johnsson et al. (2008) further explains different parts of the model accordingly:

Political/Legal

It is important to be aware of the political risks that exist in a country. Some governments invite for new establishments and create opportunities whilst others are more restrictive with their regulatory. The political situation fluctuates and is something to bear in mind in areas where the tendencies of instability is higher.

Countries' legal structures vary a lot. Contracts can look differently, the intellectual property can be threatened, the company policy has to be adjusted when it comes to labour force and so forth. (Johnsson et al., 2008)

Economical

To decide the potential of a market it is important to know the gross domestic product and disposal income of buyers to get a size of the plausible revenue. Rapidly growing economies obviously mean a lot of opportunities, but so can developing countries do, depending on the company's offer. The strength of the currency has an evident impact on the peoples' income and could therefore become a potential risk. (Johnsson et al., 2008)

Social

To make sure the company's target group is large enough, the social context of the country can be investigated. Demographics, market segments, and cultural variances are important to understand what requirements and desires a group of people has.

Technological

The technology available on the market has an impact on companies. In less developed countries the technology a company is used to might not exist yet. This

is also constantly developing, which means that companies have to continuously learn new ways of marketing their product. Technological factors that can affect the market place can be divided into three categories (Johnsson et al., 2008):

- New ways of producing goods and services
- New ways of distributing goods and services
- New ways of communicating with target markets

3.2.2 CAGE – NEW MARKET DISTANCES

When choosing a new market to enter the things that matter are not only the attractiveness of the markets relative to each other but also how compatible the firm in question is with this new market. This compatibility, or more correctly incompatibility, can be described as distances. This means that for a firm from any specific country, some markets will be more "distant" than others, and not just in geographical meaning. The theory thereby argues that there might be possible new markets that have the same attractiveness, after conducting for example a PEST analysis, but that might differ in compatibility with the company's current operations and knowledge, and therefor the distances for these markets needs to be examined (Johnsson et al., 2008).

The CAGE framework proposes four different dimensions of distance: *Cultural, Administrative, Geographical* and *Economical* (Johnsson et al., 2008). These are further described below:

Cultural Distance
This distance is measured in language, ethnicity, religion and social norm. This includes not only the differences or similarities in consumer behaviour, but also the comparison of managerial culture. (Johnsson et al., 2008)

Administrative and Political Distance
Here the distance refers to that of administrative, political and legal traditions between the two markets. Differences between countries can for example be that some countries have a slower administration than others and some times even corrupt. These institutional weaknesses can create problem for a company if coming from a country with no such problems and therefor not knowing how to handle it. Political and legal factors can differ a lot from country to country and companies might find it easier to expand to a market with similar situation. (Johnsson et al., 2008)

Geographical Distance

With geographical distance the framework is referring to difference in geographical characteristics. This does not only include the distance in kilometres from the company's origin but also factors such as size, infrastructure, communication and sea access. For example a logistics company from the USA might have trouble using their structure in Europe where countries are much smaller and the infrastructure is denser. (Johnsson et al., 2008)

Economical Distance

The economical distance is the difference in wealth between two countries. This does not particularly imply that a wealthy market is better to enter than a poor one, rather that it might be hard to enter one that is very different in wealth in comparison to the company's already existing markets. This is due to the different capabilities of companies from different countries. For example, serving customers in developing countries might be hard for a big company from a rich market while it might be easy for a smaller company that has experience in serving poorer markets. (Johnsson et al., 2008)

3.2.3 THREE CS – NEW MARKET STRATEGIES

After analysing a given market place environment, a market strategy for this has to be formed. A market strategy deals essentially with three interacting forces according to Jain (2000), which he presents as the strategic three Cs: the customer, the competition, and the corporation. This is built on the assumption that a good market strategy should be characterized by a clear market definition, the corporate strengths meeting a need of the market, and performance superior to the competition in the key success factors of the business. (Jain, 2000) Taking the three Cs into account will lead to the following market strategy:

"Achieving maximum positive differentiation over competition in meeting customer needs."
(Jain, 2000)

This is described in *Figure 4* where the three Cs together creates a triangle that forms the market strategy for the new market. Outside the triangle is the market place environment and the conditions on which the market place was chosen to enter and this needs to be taken into account when considering the three Cs. (Jain, 2000)

Figure 4: Marketing strategy formulation with the strategic 3 Cs (Jain, 2000).

The three Cs is dynamic and separates factors with different objectives to pursue. What the organisation has to offer does not always match what the customer needs, which would be a problem for long-term success. And even if the company's offer matches the customers' needs there might be competitors that offer the same thing but better, which also would give the organisation a disadvantage over time. This means that what the corporation's offers must meet customers' needs better than the competition's offers do. (Jain, 2000)

Based on the conditions connecting the strategic three Cs the following questions should be asked in order to form market strategy (Jain, 2000):

1. *Where* to compete?
2. *How* to compete?
3. *When* to compete?

The answer to where to compete is the company making a decision for a definition of the target market. This can be one or more specific segment, or across an entire market. How the company should compete is aiming to the required means of competing (for example differentiating the product, a new product, or a new position for an existing product). The timing of the market entry is the focus of the when to compete question. This means the decision about being first on the market or waiting until demand is established, as well as seasonal timing. (Jain, 2000)

4 EMPIRICS

First the case company is presented including a brief description of the company together with its market situation and market strategy. Thereafter the five target markets for the case study is presented and described in more depth. Lastly, the chapter summarizes general information and thoughts regarding interesting market entries for the case company.

4.1 COMPANYX

4.1.1 COMPANYX COMPANY DESCRIPTION

CompanyX is a travel metasearch engine. This means that they collect information regarding flight tickets from other websites such as Online Travel Agencies (OTA) and airline companies and then compiles this into a results page.

When the user has entered the website, he or she fills in information about the travel search (i.e. where to departure from, destination, and dates). Thereafter, CompanyX's robots search through its partner connections and return the result on one single dashboard. Besides this, there are graphs displaying what the price ranges are for close dates amongst several other functions available for adjusting the search. The search can be ranked differently showing off cheapest alternative, quickest or best. The website design is a unique combination of colours and CompanyX puts a lot of effort into giving the visitor inspiration to travel the world. CompanyX's strategy includes that across all markets target a specific group of young and hip people, which is why they have put resources into making the website as appealing to this group as possible. (CompanyX, 2014a)

4.1.2 COMPANYX TIMELINE

2006: CompanyX was founded and launched on the domestic market

2007: CompanyX was launched in

- Great Britain
- United States

2008: CompanyX was launched in

- France

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- Spain
- Portugal
- Germany
- Sweden
- Norway
- Italy

2010: CompanyX was launched in

- Russia

2011: CompanyX was acquired by another travel search company

2012: CompanyX was launched in

- The Netherlands
- Finland
- Romania
- Turkey

2013: CompanyX was launched in

- Ireland
- Poland
- Ukraine
- China
- Hong Kong
- Taiwan

(CompanyX, 2014h)

4.1.3 COMPANYX'S MARKET SITUATION

There are a number of direct and indirect competitors to CompanyX. In order to better understand the market situation the field of online travel services is described followed by a description of the two biggest direct competitors to CompanyX.

Online Travel Services

There are many providers of online travel services. Apart from the major airlines, tickets and other services are also accessible at tour companies, commercial portals, and travel vacation services. Some of the bigger sites related to travel are expedia.com, priceline.com, and travelocity.com. It is a strongly competitive market due to all actors, yet collaboration exists. One example is hotels.com, offering services to other sites, implying identical information is shared on several pages. Considering the growth rate of the online travel e-tailers, the industry seems to have matured rapidly when it comes to questions regarding loyalty, brand image, and trust. There are different revenues models used by the different actors. Some of the models are; commissions, membership fees, revenue from advertising, redirecting, subscription, and more. The fiercely competitive situation among the online travel service providers means little loyalty from customers, low margins, and an increase in the nature of the products and services. Effectively, travel e-retailers are likely to offer loyalty-programs and assure best rates in order to gain customers' interest. Three trends have been identified for this particular industry. The first one believes travel agents on the Internet will have to differentiate themselves further by adding services to the main offer and provide value-adding activities. Secondly, more travel metasearch websites are expected to show up on the market. Lastly, it can be expected that the online travel providers will use the phenomena social commerce (commerce through social networks) to a greater extent, trying to reach potential customers. (Turban et al., 2012)

CompetitorA

CompetitorA has been present in the travel industry over the last 10 years and has entered more than 30 markets. Each month CompetitorA receives over 25 million unique visitors. (CompanyA, 2014a)

CompetitorA's CEO Gareth Williams studied Mathematics and Computer Science by University of Manchester and this is where he met the cofounders Barry Smith and Bonamy Grimes. Starting as a freelance developer, Gareth Williams travelled a lot and often to visit his brother in France. He found it frustrating to over and over again search through travel agencies' offers and airline sites to find the best option. He got the idea to create a page that did the work for him and ranked all flights and prices. It took him one excel sheet to develop CompetitorA. In 2001 the official site was up and running. This made CompetitorA the first metasearch

engine for flights in the world and has given them first-mover advantages on many markets. (CompanyA, 2014b)

CompetitorA is a fast moving company and 2013 was another successful year with a 96% revenue growth and a 100% increase in visitors. Also the mobile app download was doubled and today more than 30 million people have the application on their mobile devices. In 2014 CompetitorA plans to strengthen their position in the USA, Canada and Latin America. (Spence, 2014)

CompetitorB

CompetitorB is another metasearch engine comparing flights of other providers. CompetitorB was established in 2004 and has its headquarter in Norwalk, Connecticut, the USA. The company is an independent subsidiary to The Priceline Group (Businessweek.com, 2014). CompetitorB has websites in 31 countries and each year they process more than one billion searches. CompetitorB, like its competitors, has a mobile application and it has been downloaded more than 35 million times. (CompanyB, 2014)

4.1.4 COMPANYX'S MARKET GROWTH STRATEGY

The initial strategy of CompanyX was not necessarily to become a global player. When it was started in 2006 the focus was only on a few countries. In 2011, when a foreign firm acquisitioned CompanyX, the aim became rather to conquer the world. Today the plan is to become a truly global company and finding the right expanding rate for that. (CompanyX, 2014e)

Apart from expanding internationally, CompanyX also aims to grow on the markets already entered. All the markets have been categorized and different strategies are applied for the different groups. First of all, there are *new and seeding markets*, which are the ones that CompanyX just entered or is trying to enter. Then there are *the seeding markets* that have been entered but have not evolved into the next category section *on-going markets*. The on-going markets are the ones that CompanyX has been in for a period of time and where the revenue is bigger than in the seeding market. Lastly, there is the group of *core markets*. This is where CompanyX puts the most resources and marketing budgets are bigger to allow for offline advertising as well. Where a certain market is positioned depends on a defined revenue figure. The idea is to try to push the markets up the ladder and potentially all the markets will end up as core markets. (CompanyX, 2014e)

Revenue Target

CompanyX has a growing revenue target each year and market sizing is an important element in order to fulfil revenue objectives. It is a balance of entering new countries and putting efforts to grow the markets where CompanyX is present today. With revenue strategies in mind the market analysis is conducted. When choosing a new country to enter, there are several aspects to consider. First of all, the potential of the market has to be reviewed, not only in the short term (i.e. over the next year) but also in the long run. To exemplify what the reasoning could look like, the case of Belgium can be viewed. Belgium as a European market is developed and the dynamics are known because it assimilates the Netherlands, but it is not yet a market for CompanyX. On the other hand, looking at China, a market that is growing but very difficult to penetrate. If China is entered CompanyX might not succeed the same year, and maybe not the next year either. But if the entry becomes successful after three years, the potential of the Chinese market is much greater than in Belgium. Even with the potential of loosing a lot of money in China, the revenue potential is much higher and therefore the market is still interesting. Belgium on the other hand has lower potential revenue, at the same time as it is a complicated market in the aspect of having many different spoken languages. (CompanyX, 2014e)

Market Analysis

The initial step for CompanyX was to collect valuable information of the different continents, analysing the metasearch market for travel in Europe, Asia, the Americas and so forth. Some questions CompanyX looked into were; what does the markets look like, who are the competitors, and how is their position. One summary for each of the markets founded the rest of the analysis together with facts from Google. Some of the parameters were number of searches and Cost Per Click (CPC) prices. Based on the research the most interesting markets were identified. (CompanyX, 2014e)

This led to about 25 markets being chosen from all over the world for a deeper investigation. With more depth, the competition, probable obstacles, and short or long-term revenue potential were further examined. CompanyX then put the 25 countries in a matrix and scored them on a scale from 1-5 on revenue potential and the difficultness of entering the market. For instance, a market could get 4 on the y-axis if the revenue potential was high and 5 on the x-axis if it potentially would be very hard to enter. A third dimension was the market penetration multiplied by the population so as to get an overview of the target market size.

Looking at China for example, where there is a low Internet penetration, the population is vast and therefore is highly ranked on this aspect. Besides, the Internet is spreading rapidly in China. (CompanyX, 2014e)

After this framework was set, 10 out of the 25 countries were selected and a number of questions were thoroughly discussed. Does CompanyX have competences in-house? Having people that speak the language, would favour places like Mexico and Brazil because CompanyX already has Spanish and Portuguese speaking employees. Another factor that was discussed was, currently CompanyX is focused on Europe, does the footprint have to grow and spread to Asia, or is it to early? Is it something that could be considered next year, repeating the same kind of analysis? (CompanyX, 2014e)

CompanyX ended up focusing on countries where internal resources already were in place. Using the existing competences is also favourable when it comes to the marketing budget. Instead of hiring additional personnel more capital can be invested in the activities. Although, a person with fluency in the new market's language is essential, building the website, online campaigns, and much more would not be possible in any other case. (CompanyX, 2014e)

One of the things that were considered was whether to expand to Asia. This was thoroughly discussed even though CompanyX did not have anyone who could speak any of the Asian languages. It would be a difficult challenge to manage. Being situated in a European capital city does not make things easier, and CompanyX has the strategy to try to centralize as much as possible to the head quarter. Entering countries like Malaysia or Indonesia would not only require someone with the language skills. Those countries also have cultures that are new to CompanyX and consequently culture awareness is just as important to possess in order to reach the users successfully. (CompanyX, 2014e)

The market analysis process and framework was a way of identifying the most interesting countries. It worked out well and it will probably be used during 2014 too. When analyses like these are made it is difficult, but very valuable, to achieve something tangible. Numbers and facts are needed to have something to rely on and to convince the decision makers. (CompanyX, 2014e)

Market Growth Challenges

There is a risk in growing a company too fast. One year ago CompanyX had about 35 employees and today the number is around 75, which means they have more

than doubled. The development of the organisation is so rapid that the company has to adapt along the way, which requires new structures. If you do not have the resources for handling the change the company risks stretching out without someone keeping control over the whole situation. (CompanyX, 2014e)

In addition, when growing fast, CompanyX has to prioritize on what needs to be done. It is important to find the right things to do and not try to manage too many things at the same time. It is preferable to choose maybe three or four tasks and move step by step. (CompanyX, 2014e)

With the business structure that CompanyX has today, one central location, entering a new market that turns out to be unsuccessful, would not necessarily be a big loss. If CompanyX on the other hand decided to open up for example an operation in China and hired people there, the risks would be much higher. This is also the explanation for why CompanyX has chosen a centralized solution. From their centralized location it is possible to see what works and what could become better and the losses are limited. (CompanyX, 2014e)

It is difficult to say whether there is a risk in damaging the reputation if a market entry would fail. First of all, CompanyX has never closed down a market, they have always seen potential even though there have been more struggles with some markets than others. When a new market is entered CompanyX usually follows the same steps and it has turned out well so far. CompanyX also says: "To go in online, it is limited how much you can actually damage the brand. It takes a while to build a market so CompanyX would never let it go so far we would hurt ourselves." (CompanyX, 2014e)

A strategic issue is the importance of getting hold of the domains. If someone else claims to own *CompanyX.xx* it can become a long legal process and cost big amounts to obtain it. CompanyX has today already attained most CompanyX domains for possible future markets. Still, there are a few markets where it will be difficult to get the domain. More over, CompanyX needs to acquire domains resembling *CompanyX.xx* to avoid frauds. It has happened, in Eastern Europe, that someone attempted to create a fake CompanyX site, with the same concept and layout, and promoting the same services. This is a big risk for CompanyX especially in countries where they are relatively new. One has to take care of the trademark but since CompanyX has been on the market since 2006, there has been time for unserious players to take action. CompanyX has learned from the

experiences and has a more proactive approach now than before. (CompanyX, 2014e)

There can also be regulations that make a market introduction difficult. In Brazil for instance, you do not show the fees that are added to the ticket price, like CompanyX does. It is CompanyX's policy to be transparent and show the full price of booking a ticket including the extra fees compared to the Brazilian mode of operation. CompanyX is discussing if they should compromise by having a product equal to everywhere else, or if they should find a way to actually show everything, including extra fees, without users thinking that CompanyX are finding and displaying higher prices on flights than its competitors. If users were to think that CompanyX could not provide them with the cheapest alternatives they would be more inclined to use competitor's websites instead. (CompanyX, 2014e)

Penetrating the Market

Deciding on a strategy is usually done during the summer, and what markets to enter the following year is decided and a time frame is made. It could be that there are events they aim to be fully set for. One example is the 2014 Soccer World Cup in Brazil, which is one of the new markets this year and CompanyX plans to be prepared for this happening. (CompanyX, 2014e)

Competition is always present, but should not always be treated as a threat. It can also be a guideline as to what potential a market has. If another player already is present on a particular market and is doing well, there is a good chance that CompanyX will be successful there as well. The other way to look at it would of course be to put focus on other markets instead, and trying to get bigger market shares elsewhere by first-mover advantage. CompanyX does not let competitors scare them away. Existing competition is instead considered as profit potential, as just mentioned. (CompanyX, 2014e)

Metadata is spread out in the world and it is a growing phenomenon. It is difficult to get first-mover advantages in this field of business. Going back about five years in time it would have been possible. Of course there can be different states of development and more or less competitors (international or local) but the competition will always be there. Market specifics and customers behaviour are driving forces for the outcome of a market entry. Germany could be described as an interesting example how no general conclusions can be drawn. Germany is a big, developed and mature market, yet people still go to the traditional travel

offices to buy their tickets. Considering this, CompanyX's toughest competition comes from the offline providers in the same field. (CompanyX, 2014e)

When entering a new market, suppliers are dealt with first. Ideally, you would have a minimum level of suppliers in place before opening the website. If the website is not ready to be competitive from start, there is a risk you end up hurting yourself. CompanyX has a specific sales department who are responsible for setting up all the contracts with the suppliers. (CompanyX, 2014e)

Once it is time to open in a new market and launch the online campaigns, CompanyX needs to make sure the website is in place. All the functions must be up and running and the content has to be correctly translated. When everything is set, CompanyX gradually starts building the promotions from there. Pay Per Click (PPC) is the first online marketing move and later on Search Engine Optimization (SEO) is added. PPC is traffic CompanyX has to pay for and this is necessary, SEO on the other hand is just CompanyX themselves optimizing their placement in for example Google searches. If the outcome is positive, a more formalized Public Relations (Kutcher et al.) setup is evaluated. Offline advertising would be the last step. The last phase, with heavy investments such as TV commercials, would typically occur in the mature markets like the Nordics. Also, the price for advertisement on TV varies a lot. In Sweden, where the number of viewers is smaller than in Germany, the price is much lower too. The decision of using offline marketing is only made if it is clearly profitable. (CompanyX, 2014e)

The budget for marketing activities is allocated onto all the markets. It is divided so that larger amounts are spent in markets where it is possible to see that the revenue return also is bigger. It would not make sense to spend 45 000 DKK if you only get 30 000 DKK back. That would probably mean that CompanyX is moving too fast. It is about pacing and building the market, and if it is done correctly, it does not have to mean that money will return instantly but overtime. The market responsible has to make sure the budget is optimized in order to reach given revenue targets. (CompanyX, 2014e)

Today, CompanyX most often has one person responsible for each of their current markets, while some of the core markets have smaller teams. Not too long ago, CompanyX had just one person handling all the markets. Another tried set-up was to have country managers in Sweden, Germany, the Netherlands, France, Finland and so forth. Each of the country managers was supposed to promote CompanyX

in the country, but then it was decided to centralize the organisation and this is where CompanyX is today. (CompanyX, 2014e)

Evaluating the Growth Strategy

CompanyX's strategy for finding new markets has worked well. It gave the decision makers an idea of how much revenue they can expect, both in the shorter and longer perspective. At the same time it is a necessary tool for balancing investment in new and on-going markets. Markets that have been entered during 2013 have followed a positive curve and so far they are doing well. (CompanyX, 2014e)

CompanyX has done follow-ups of the lately entered markets. What are reviewed first and foremost are the campaigns, since that is where the investments are made. CompanyX also follows up on how the market is growing; is the traffic increasing and is it direct? Is there profitability? Being an online company facilitates a market entry process, but the ultimate goal is to be profitable, and that is the difficult part. It is simple to set up a webpage and start the service, creating a profit is harder. The company has to grow to a certain level on a market to start being profitable. (CompanyX, 2014e)

Regarding customizing the offer one could argue that Europe, where CompanyX has its strongest presence, is rather homogeneous and the countries are moving in the direction where they become more alike. Hence, there is less reason to differentiate. Moving over to the more distant cultures can be a completely different story. (CompanyX, 2014e)

CompanyX strives to get more direct traffic to their websites worldwide. Direct traffic could be considered as users having CompanyX top-of-mind, which means CompanyX has established a desirable position in a market. (CompanyX, 2014e)

Future Directions

CompanyX is primarily going to focus on Europe in the shorter prospect. There are some markets that are in the pipeline and will open during 2014. Only by overviewing the sites where CompanyX is today, it is easy to see what gaps there are to be filled. (CompanyX, 2014e)

There are bigger challenges ahead like India, China, Australia and Brazil. The most challenging India, is the lowest of CompanyX's priorities at the moment

since trains are still very dominant there. While a country like Australia will probably happen sooner. This is since this is a big market and it can be handled language wise. (CompanyX, 2014e)

4.2 MARKET ENTRY: RUSSIA

Large cities: Moscow - 10 500 000, Saint Petersburg - 4 500 000, Novosibirsk 1 400 000, in total 12 cities with over 1 million in population (Sjöberg, 2014a)

Population: 143 500 000 (Sjöberg, 2014a)

Degree of urbanization: 74 % (Sjöberg, 2014a)

Internet usage: 47.7 % (InternetWorldStats, 2012)

GDP/capita: 13 236 US Dollar (Sjöberg, 2014a)

Demographics: 0–14 years (15 %), 15–64 years (72 %), 65– years (13 %) (Sjöberg, 2014a)

Year of entry for CompanyX: 2010 (CompanyX, 2014d)

4.2.1 COUNTRY SPECIFICS

The Russian market might be conceived as a particularly big market but there are several factors to consider when estimating the size of the market. Firstly only about 50 % of the population in Russia are using the Internet and on top of that only 10 % have international passports. So basically 10 % of the whole population are travelling and only a third of them are buying their tickets online. This gives CompanyX a market of about 5 million potential users, which is not as much as one might think when first considering the market size. Moreover, CompanyX is targeting the younger population, 25-35 years old that has a higher education and can speak English to some level and this all together makes the market narrow. (CompanyX, 2014d)

Although the market might be narrow, online travel services are a fast growing industry. The target market is estimated to grow with 50 % per year and has the potential to grow more than that over the next few years. This might depend on the target market actually growing more in the regions than in the cities at the moment because of the increasing Internet penetration in the country. Overall

more and more people are using online services all over the country. (CompanyX, 2014d)

The two main direct competitors on the market are CompetitorA and Aviasales. Aviasales is a local metasearch engine for flights that operates only in Russia but has their office in Thailand. They started in 2009 and have aggressively penetrated the Russian market and have succeeded in becoming one of the known brands for metasearches on the Russian market. (CompanyX, 2014d)

Indirect competition, in form of OTAs, is also big on the Russian market. There are 2-3 powerful OTAs that have a lot of trust from the consumers. These companies also have loyalty programs that successfully keep the customers through different kinds of methods. Some of the OTAs have also decided to not partner with CompanyX or any metasearch engines, which makes them even more of a competitor. The reason behind this strategy was probably to keep themselves apart from metasearches and instead try to keep their loyal customers. (CompanyX, 2014d)

The risks with the Russian market are mainly the bureaucracy and the legal system, which is hard to deal with for foreign companies. What mostly differ Russia from other markets in Europe is all the paperwork needed. Almost nothing is done online and sending documents back and forth is a time consuming task. The culture in Russia is also different but that mostly affects the marketing for CompanyX, in the way that people do not use media in the same way. For example, the target group for CompanyX does not watch TV at all and therefor TV marketing that is used in Scandinavia could not be used in the same way since it would not reach the target group even though it goes out to the mass-market. Social media on the other hand is very big in Russia and there are four main platforms that are used, of which Facebook is not one. The target group is also considered to be demanding in what they find interesting marketing wise, which makes it important for players to be more innovative in their way of marketing themselves. (CompanyX, 2014d)

Another cultural factor is the lacking knowledge in English among the population. In the travel business this means that people do not travel abroad on their own since they cannot understand much outside Russia. Instead they do baggage tours where everything is included and arranged, so the need for communication is eliminated. This factor is most likely getting smaller as more people are learning to speak English, especially students. (CompanyX, 2014d)

Economical factors on the market are that there are very few rich people, even though these are very rich and probably does not use services like CompanyX. (CompanyX, 2014d)

The infrastructure in the country consists of a broad train network, a non-developed roads network and a fairly developed air traffic network. Trains have for a long time been the most important way of transport in Russia since the roads network is deficient and the distances are big, although over the last years flights have increased in popularity. Many people still have the perception that flights are more expensive than trains, even though that is not always the case anymore, and therefore choose to travel by train without checking other options. But all in all, flight traffic is growing, both domestically and internationally, due to the long distances. (CompanyX, 2014d)

Flights are mostly used for people that go on vacation far away and for several weeks at a time due to expensive flights because of few budget airlines. (CompanyX, 2014d)

4.2.2 MARKET ENTRY PROCEDURE

When CompanyX first entered Russia four years ago the procedure was handled by an agency in Russia and not directly by CompanyX themselves. After a couple of years CompanyX decided to change the strategy for Russia and instead have one person running the market from headquarters. This has now grown into a team of four people handling the Russian market from CompanyX head quarters, having different responsibilities like social media, online campaigns and so on. There is still one person from the original team working with CompanyX by herself in Russia and she is also coordinating a PR bureau for CompanyX there. (CompanyX, 2014d)

After deciding to have one person in-house being responsible for the Russian market, the first thing that was done was re-translating the website. Russian people are very language sensitive, which made this an important task in order to get the product right before starting to invest more in it. The problem was the way the site was written since the target group in Russia wants it in a certain way that they can relate to and feel that the page was made for them and that it was cool enough. (CompanyX, 2014d)

Suppliers

Today CompanyX has about 20 suppliers in Russia and around 80 % of them are local. Local suppliers are more stable to have since international companies often close down their offices in Russia because they cannot compete with the local players. Being an established player on the market means that the suppliers are mostly contacting CompanyX themselves. (CompanyX, 2014d)

Getting the bigger suppliers on board required a bit of negotiation since they wanted to get a good deal, whereas the new smaller suppliers easily accept the conditions given. (CompanyX, 2014d)

There have not been a lot of technical problems in setting up the connection with suppliers, the exception being airlines that want to be shown on the website since they often are not technically advanced in IT. (CompanyX, 2014d)

Pricing

With the Russian suppliers the most common pricing model is CPC and CompanyX has this deal with 95 % of all suppliers on the market. This depends on that the Cost Per Action (CPA) deal requires more trust in the supplier and Russian suppliers can be hard to trust, as well as the CPC deal being an easier option, both for CompanyX and the supplier. (CompanyX, 2014d)

Marketing Campaigns

Instead of conducting their own market analysis, CompanyX takes part in several different e-travel conferences over the year. All players of the market come to these conferences and they discuss everything about the Russian market and how it is developing. Therefore CompanyX does not need any further market analysis to know what is happening with the market. (CompanyX, 2014d)

CompanyX is partnering with a digital agency in Russia that has done some research in what market campaigns to run as well as CompanyX themselves gathering information about this at headquarters. Together with the partnering agency a marketing strategy is developed and at the moment it is an online strategy. The only offline activities are the sponsoring of a travel show that is popular among young people in Russia and the sponsoring of some smaller events. (CompanyX, 2014d)

4.2.3 POST MARKET ENTRY REFLECTIONS

One factor that CompanyX think is important for success is the quality of the product it self. In this it is included having most OTAs as partners, taking care of customers and keeping up a high level of service on the website. Another thing that adds value to the CompanyX product is being different from competitors, which helps users to identify themselves with CompanyX in being different. (CompanyX, 2014d)

Being successful on the Russian market as a foreign company is difficult and therefor the results that CompanyX is getting there are quite impressive. Russia is now CompanyX's third biggest market and it is still growing fast. Further, the smartphone application has worked well in Russia and the purchases of tickets from the application are even higher in Russia than in Scandinavia, which is an interesting result. (CompanyX, 2014d)

First-mover Advantage

At first CompanyX did not invest as aggressively in the market as they do now, and thereby gave competitors a chance to win some market shares. Now it has become harder to win those shares back since the other players have won brand recognition on the market. (CompanyX, 2014d)

Supplier Relationship

Working more with supplier relationships in the beginning is something CompanyX thinks could have prevented some problems the company has had with suppliers in Russia. The biggest problem lately has been that since the suppliers wants to end up on the top of the search they lower their shown prices and then add an extra fee on the payment, for example a credit card fee. This is not good for CompanyX that has received complaints that they do not show the real prices on their website and customers then loose trust in them. The solution to this has been to contact all the suppliers to tell them that they have to stop with this. (CompanyX, 2014d)

In Russia relationships between companies are important. If a supplier would know someone at CompanyX personally and respect the company, then maybe they would hesitate more in creating problem for them. When all the communication by the sales team is conducted via Internet, the supplier does not

grow this respect for the company and might be more likely to not care about the consequences for CompanyX from their actions. (CompanyX, 2014d)

In the team responsible for the Russian market in CompanyX there is now a Russian employee, situated at Headquarters, being in contact with suppliers so they feel they have a contact person they know. This person also goes to Russia at least once a month to meet with suppliers, which helps a lot in creating the relationships. This further is an indication of how important communication with partners is. (CompanyX, 2014d)

Consumer Transparency

When a problem occurs, like the one with suppliers not showing the correct price to CompanyX, it has been found that it is important to show the consumers that CompanyX is transparent and is not trying to trick them. From this point of view a new function on the website has been developed where potential extra fees are shown that they can expect after leaving CompanyX, for example for luggage or similar. CompanyX thinks that this shows that they care about the user and want them to have all the information. (CompanyX, 2014d)

If a user complains about this problem to CompanyX it is explained that the company is trying to control the situation. The user is also asked to send a screen shot so that CompanyX can discuss the problem with the supplier in question. (CompanyX, 2014d)

Marketing Campaigns

The Scandinavian style for commercials and ads has shown to not work in Russia at all. Before CompanyX has had ads on Russian TV that were basically just translated from the original language but since that has shown to not be successful, it is now agreed in the company that before anything is launched in Russia it is needed to know that it actually has potential there and not just run it because the material is already constructed for other markets. This is important since the wrong marketing can damage the image of the company on the sensitive and demanding Russian market. For example, CompanyX is not doing any TV-ads anymore in Russia due to it targeting the wrong people. (CompanyX, 2014d)

Customer Behaviour Change

The behaviour of the target group in Russia has probably not changed, but the group has rather become much bigger. Russians have lately become more

international and want to discover the world, in contrast to before when the country was really closed off from the rest of the world. (CompanyX, 2014d)

The entry procedure for Russia has worked out to be successful but since it is a very culturally specific market it is not believed that this procedure could be used successfully over all market. Although, in countries with similar culture to Russia, e.g. Kazakhstan, it is possible that the same type of entry would work since the customer behaviour there would be similar. (CompanyX, 2014d)

Online Service Provider

Being an online service provider CompanyX has found that it is important to be trustworthy and to only display suppliers they can trust on the website. In that way CompanyX can be sure to guarantee users that they are safe with CompanyX. This is especially important in markets that are relatively new to purchasing online since it is a concern for the users, which is a barrier that needs to be broken down. (CompanyX, 2014d)

A problem in Russia, for an international online service provider, has been the lack of customer service and a call service. Again this has to do with winning the users' trust. At the moment the user can only send emails to get in contact with CompanyX, which prevents CompanyX to solve the user's problem right away. (CompanyX, 2014d)

CompanyX is also trying to differentiate their service in order to meet the needs of the users on different markets. In Russia this has meant adding an inspirational search that in the future will have a visa option and information of what countries you can travel to if you do not have a visa. A text at the bottom of the page is also added to explain what CompanyX is and in that way gain the users' trust. (CompanyX, 2014d)

4.3 MARKET ENTRY: ROMANIA

Large cities: Bucharest - 1 900 000, Craiova - 295 300, Cluj–Napoca -294 900 (Book, 2014b)

Population: 21 300 000 (Book, 2014b)

Degree of urbanization: 55 % (Book, 2014b)

Internet usage: 44.1 % (InternetWorldStats, 2012)

GDP/capita: 8 666 US Dollar (Book, 2014b)

Demographics: 0–14 years (15 %), 15–64 (70 %), 65– (15 %) (Book, 2014b)

Year of entry for CompanyX: 2012 (CompanyX, 2014c)

4.3.1 COUNTRY SPECIFICS

Romania is a market where online payment and tourism in general is growing, but compared to other eastern European markets it does not have the same potential. The population is relatively small and the urbanization is only 55 %, which also means a lower Internet usage. The population in whole is also decreasing since the countries birth rate is lower than the mortality, as well as a part of the younger population emigrating after Romania joined the EU. Although, CompanyX still sees potential in the market and they are testing it to see how far they can go with it. The Internet usage has grown over the last few years from about 30 to 40 % and the online buying trend is also positive. (CompanyX, 2014c)

The presence of the smartphone has also grown over about the last five years, which is an opportunity for CompanyX. Most young people today in Romania have a smartphone and even though they might not yet use it for purchasing they still use the CompanyX app. This is also a trend growing globally and it is growing fast, the same goes for Romania even though the market there is smaller than in many other countries. There is a new generation who trusts smartphones coming that are now teenagers, but in a few years when they have their own money to buy tickets, the market will really grow rapidly. (CompanyX, 2014g)

A factor that has affected the Romanian market is the country's economical situation. The economical crisis has affected travelling and tourism heavily so that people tended to travel more inside the country in order to not have to fly, which was expensive. Further, people has distrust for buying online, even if this problem is getting smaller as the global economy changes and Romania changes with it. (CompanyX, 2014g)

The domestic flights market is not big, neither in supply nor demand, the main use of it is for business purposes and it can almost be viewed as inexistent. Instead people go by train or car but the roads network is still poor. (CompanyX, 2014g)

When Romania joined EU in 2007 it became much easier for Romanians to travel since they no longer needed passports to visit other European countries. This had a good impact on the Romanian travelling industry. The players on the market, both local and international OTAs as well as low cost carriers, have since CompanyX's entry in 2012 also started to gain knowledge about metasearch engines. (CompanyX, 2014g)

The main competition on the market is CompetitorA, who was already on the Romanian market when CompanyX entered but they did not yet have a local office there and not a big focus on this market. Still there seems to be awareness on the market for CompetitorA that is probably due to them being the first mover all around Europe and that has propagated to Romania. But CompetitorA is not yet making an effort in communication on the market. (CompanyX, 2014g)

4.3.2 MARKET ENTRY PROCEDURE

Entering Romania was a first try to enter one of the smaller eastern European markets since Russia had been so successful. There was no specific entry plan as it was more of a side project from the beginning to see if CompanyX could be successfully implemented on such a market. The choice to test the Romanian market was due to CompanyX already having a Romanian employee in-house that knew this market and could see potential there. (CompanyX, 2014g)

Suppliers

The first important step was to find partnerships and set up the website properly with translation and all in all this took about a year to fully finish and during this time no specific plan was followed. (CompanyX, 2014g)

Finding the first suppliers was easy since the market is quite small and there were a few local suppliers that were the main players. CompanyX got in contact with these suppliers first because they were experienced and would most likely know about metasearch engines. After those deals were signed the smaller players contacted CompanyX themselves and any new potential suppliers that are entering the market now are coming directly to CompanyX. Today CompanyX has 3-4 local suppliers and about as many international ones on the Romanian market. Out of the local suppliers one is a local carrier and the rest are OTAs. (CompanyX, 2014g)

When contacting suppliers the method most used was phone calls. This is because it is important to talk to the right person and that is easiest done if a phone call is made. The contact information CompanyX found on the Internet or through contacts in the country. (CompanyX, 2014g)

CompanyX did not have to educate the main suppliers in Romania about metasearches. If some of them were not convinced about joining a partnership they were offered to try for one month and have full control over what happens. In that way the suppliers felt that this was something they could trust and after trying for a month they saw the benefits and that there were no problems. (CompanyX, 2014g)

The time consuming part of getting suppliers in Romania was setting up the connection between CompanyX and the supplier. This includes setting up the contracts, explaining them, signing them and setting up everything technically. CompanyX has a trained team that has done this for years so the time consuming part is usually on the supplier's side of the deal. Most of them had to set up their Application Programming Interface[1] (API) and make their website ready for the increase of traffic. (CompanyX, 2014g)

Pricing

The pricing model used in Romania is mainly CPC, even though a couple of the partners have CPA deals. The reason for this is that CPC is far easier for CompanyX to handle and is also making more revenue for the company since the revenue from the CPA deal depends so much on the conversion rate of the suppliers website, since they only pay CompanyX once they have sold a ticket.

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[1] An API is a tool of how certain software can communicate to other software, and thereby share contents.

That means that if the supplier has any problems with usability or something similar, CompanyX ends up paying for their flaws. The CompanyX website creates a lot of extra traffic for the suppliers but then it is up to them how they are going to convert that traffic into customers. (CompanyX, 2014g)

Marketing Campaigns

Almost no offline marketing activities have been conducted in Romania, since CompanyX is an online company they have chosen to start with an online marketing strategy and wait with offline marketing until the market is considerably bigger for them. What marketing activities that are being held depends on the communication budget that CompanyX has distributed between their different markets. The smaller seeding markets get a lesser share and therefor have to be more efficient in the way they do communication and online marketing is by far the most efficient way of reaching only the target market. (CompanyX, 2014g)

The only offline activity that CompanyX has conducted in Romania is the sponsorship of an e-travel conference. At this conference there are partners, media, travel bloggers, online people, and general people that are interested in this area. CompanyX had a speaker there and were present with some company representatives as well as having some give-aways. As for online activities it can be summarized as search engine marketing, search engine optimization, social media, display banners, partnership with bloggers as well as some PR. (CompanyX, 2014g)

4.3.3 POST MARKET ENTRY REFLECTIONS

Suppliers

The most important thing in the entry of Romania is believed to have been to know the partners and how to deal with them and the market. This all goes back to having a good product in order to have users coming back to CompanyX next time they want to buy a ticket. It took a while for CompanyX to realize this and the product could be inferior by for example missing a supplier, which could mean users not trusting them to show the best price. One thing that could have been done differently in this sense was to focus on really getting the right partners from the start and make sure that they all were there on the CompanyX website. (CompanyX, 2014g)

One thing that can have contributed to the market entry in Romania is that the bigger OTAs have been trying hard to keep up with online technology. On the other hand the smaller suppliers, that have often been active offline and then just now started doing online business, are having a hard time understanding how metasearches work and how they can benefit from it. The OTAs in addition to this also have had a hard situation economically in Romania and the price is still the main driver for them, which is something CompanyX has to take into account. (CompanyX, 2014g)

Being in Romania and meeting the suppliers face-to-face could have been a factor that would have speeded up the process of gaining their trust. CompanyX has had meetings with the main suppliers, attended some conferences and also sponsored and attended an e-travel conference for this particular reason. The inhibiting factor here is the company's resources that are not big enough to be able to have that kind of connection with the suppliers. (CompanyX, 2014g)

Marketing

Something that could have been done differently in the entry process regarding marketing would have been to focus more on some PR and to get CompanyX's name out there more consistently. This is because CompanyX does not feel that they were consistent enough in the message sent out on the Romanian market in the beginning. Again the problem here was the lacking of resources in the beginning of the Romanian entry when there was only one person in CompanyX being responsible for PR for all markets, as well as a tight budget. (CompanyX, 2014g)

Customer Behaviour

The website has been seen to work well in Romania and as long as it displays all the agencies and the right price can be found – the customers are happy. CompanyX has seen that this is the case when looking at conversion rates and so on after having gotten all the partners in place on the website. (CompanyX, 2014g)

Even though the website is doing well, there are still many users that believe CompanyX is an online agency that sells tickets. The information banner that has been put up on the page might have helped a little but CompanyX still receives the same questions. Although this is also still the case for the Nordic countries and not a market specific problem. CompanyX thought from the beginning that it

would be easier to make the users understand that they are not an online agency but now CompanyX just sees it as a common problem, especially in the new markets. (CompanyX, 2014g)

The target group on the Romanian market is still the same. Not much has changed demographically in the last two years as the students still cannot afford to travel and at the same time the older population are not enough familiar with the online technology. This leaves CompanyX with the core target group of 20-35 extended to persons up to the age of 45 years old, since these travel and are familiar with online buying. In a few years when the current group of the population has grown older maybe an older target group also will be considered. (CompanyX, 2014g)

4.4   MARKET ENTRY: TURKEY

Large cities: Istanbul - 12 200 000, Ankara - 4 100 000 and Izmir - 2 800 000 (Holmén, 2014)

Population: 76 100 000 (Holmén, 2014)

Degree of urbanization: 76 % (Holmén, 2014)

Internet usage: 45.7 % (InternetWorldStats, 2012)

GDP/capita: 10 576 US dollar (Holmén, 2014)

Demographics: 26 % of the population is younger than 15 years old. Population growth of 1,2 % (Holmén, 2014)

Year of entry for CompanyX: 2012 (CompanyX, 2014f)

4.4.1   COUNTRY SPECIFIC

Turkey is a big market place with its population of 76,1 million, of which 76 % are living in cities in 2011 (Holmén, 2014). The population is really young compared to other markets in Europe. This is an advantage for CompanyX since they are targeting young people and know that the young Turkish population spends hours online per day and are not afraid of trying new stuff. However, the market has not yet matured for metasearches and there is little knowledge of CompanyX's business model, a lot of people still think that the company sells flights. Over the last year, since CompanyX's entry on the market, not a lot has changed in this aspect but it is noticed that people are choosing CompanyX over other travel agencies. (CompanyX, 2014f)

The infrastructure in the country consisted in 2010 of a network of roads that amounted to 352 000 km, a railroad network of 8 700 km that is partially worn out and out-dated, and a few bigger international airports including Istanbul, Ankara and Izmir (Holmén, 2014). The domestic air travel is also relatively well developed and almost as big as international air travel since it is a big country area

wise (Holmén, 2014). There are 3-4 budget airlines that have a lot of routes for domestic flights and people search for these. The common type of travelling in Turkey is different from that in for example the Scandinavian countries. Instead of travelling for inspiration and discovering Europe it can in Turkey be a weekend trip to a friend or a one-day business trip. Because of this it is still a good market, even for the OTAs. (CompanyX, 2014f)

One thing that is restricting the traveling for Turks is the need for a visa to travel to most countries, for CompanyX this matters since the price shown on the website is not the final amount for the traveller that also has to pay for a visa, which will affect the buying behaviour. Being a travel search engine, CompanyX wants people to be able to travel and these limitations are constraining this. (CompanyX, 2014f)

Moreover, a factor that affects the travelling trends in the country is money. Turkey has a higher Gross Domestic Product (GDP) than for example Poland and Ukraine and it is a growing economy but in general the income is not distributed evenly so there are some rich people and many that are poor, which means that only some part of the population can afford to travel. Although, the market still has a lot of potential because even if only 10 % of the population can afford to travel this is still almost as many people as the whole population of Sweden. (CompanyX, 2014f)

The competition on the market is both direct in form of CompetitorA, that entered the market 5-6 years ago, and CompetitorB, that just entered in December 2013, as well as indirect in form of the different OTAs. The biggest challenge has been to overcome CompetitorA's brand awareness that is very high on the market. Although, being the second metasearch engine to enter the market, after CompetitorA, might be an advantage for CompanyX's future brand awareness. The OTAs can both be seen as partners and indirect competition. This is mostly due to the fact that the market does not understand the difference and check tickets on both CompanyX and the OTAs' websites. There are a lot of OTAs on the market and the number is growing, which both means more partners and more indirect competitors for CompanyX. (CompanyX, 2014f)

4.4.2 Market Entry Procedure

Suppliers

Starting out on the Turkish market, CompanyX only had a couple of international suppliers that they were running on all markets. When it came to finding new suppliers CompanyX approached several potential partners but had a hard time convincing them to work with CompanyX due to the fact that the brand was not yet known on the market. The main contact in this stage was emails and telephone calls. With time though, CompanyX managed to get a few suppliers through just calling them and setting up contracts. Further, going to travel fairs and actually meeting people to create a connection paid off and more suppliers got on board. Personal interaction was an important factor for the suppliers who did not see the point of partnering with a company that they had never heard of, which was based in another country. (CompanyX, 2014f)

Another approach that has worked well in Turkey lately has been to change from push to a pull strategy. Instead of putting resources into contacting suppliers, these resources can be put into promotion of the company such as advertising, display campaigns online, social media and blogger competitions with the goal of reaching new users. This will simultaneously reach the potential partners as well and make them interested in CompanyX. Once CompanyX was visible online and offline the suppliers instead started calling them about becoming a partner. Although, before this can be done the product has to be relatively developed, which means that a few suppliers has to be pushed in before a pull strategy can be put in place. (CompanyX, 2014f)

Even after signing a contract with a supplier there might be further complications. Some suppliers know about online marketing and have a high technical capability but most Turkish suppliers that wants to work with CompanyX does not have the sufficient technical knowledge for setting up the API connection between the companies. This has an explanation in the online marketing business being fairly new in Turkey and there are still a lot of offline marketers running the online marketing in companies. Therefor, with some suppliers the connection can be up and running within a week or two, but with others, such was the case of Turkish Airlines, it can take 9-10 months to get it working. (CompanyX, 2014f)

Pricing

In Turkey most suppliers have the same fixed price. This is due to most of them knowing each other and it would not work giving one supplier a lower price than

another. For each market they try to keep the suppliers in the same pricing rate but each market has their own rate. Since most suppliers in Turkey are not very good in IT the main pricing model is CPC, which is easier to manage technology wise than CPA that has to deal with techniques like cookie-time, re-visits and so on. With the CPA deals there are a lot of questions about the tracking and CompanyX experiences a lot of problems regarding this, therefor the CPC deal is preferred for all suppliers in Turkey and similar new, seeding markets. (CompanyX, 2014f)

Customer Behaviour Change

Over the year since CompanyX entered the Turkish market no specific change in customer behaviour has been noticed. It can also be hard to see this since CompanyX's website can be used by anyone and even though they have a target group on the market the service can still be used by anyone. The communication that CompanyX has is mostly focused on young people and is done in a little bit more fun and colourful way, but this does not mean that not everyone can use the service, no matter their age. This makes it harder to predict and notice customer behaviour change. (CompanyX, 2014f)

Marketing Campaigns

All the marketing campaigns that CompanyX has run in Turkey over the first year has been online campaigns. The advantage of online campaigns is that you can see the results of them right away. After making an investment in an online account you can the next day see number of visits, conversion rate, bounce rate[2] and return on investment. This enables the company to try different things and right away see if it is something to continue with, before spending a lot of money. Online marketing also reaches CompanyX's target market more efficiently since they are online when they see the campaign and therefor are Internet users. Offline marketing was not done in Turkey since the communication budget did not allow for it and it is more expensive than online marketing. For example, making a TV-commercial would cost more money than online campaigns and it would be less efficient since it would reach many people that are not CompanyX's target group. (CompanyX, 2014f)

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[2] *Bounce rate* refers to the procentage of visitors that leave a website directly after entering it.

4.4.3 POST MARKET ENTRY REFLECTIONS

Supplier Relationships

During the market entry in Turkey CompanyX found that the most important aspect was to understand the market and how both the business-to-business (B2B) and the business-to-customer (B2C) parts work. It is important to focus on the B2B part of the company since the suppliers, mostly the OTAs, has a complex business model with many different partners and costs that CompanyX has to take into consideration. As for the B2C part it is important to understand the dynamics of the market and to understand if the market is ready for this business model. This is also something that would have been useful for CompanyX to have more information about before starting the market entry. For example user behaviour, market dynamics and the economic factors on the market would have been valuable to have more information about. (CompanyX, 2014f)

By time CompanyX has seen that finding suppliers is not a problem. Contact details for suppliers can be found online and once the brand was known on the market they even started contacting CompanyX themselves. But setting up the connection and educating the suppliers in online marketing technology has probably been the most challenging part in the market entry. (CompanyX, 2014f)

The risks and problems that have occurred on the market are mostly B2B related. The B2C part of CompanyX is fairly simple in the way that CompanyX offers a free service that the customer will use if they like it and then create commission for CompanyX when they book their flight. Of course CompanyX wants more users and traffic by time but there is not anything particularly risky about this aspect. On the other hand CompanyX has the B2B part of the business model, which is more problematic in several ways. As the Turkish market grows for CompanyX the company also increase their investments in the market. This brings more people to the CompanyX website and this will automatically increase the cost for the suppliers. The risk is that the suppliers are not prepared for this increase in traffic and thereby increase in cost and they might not afford it. Some suppliers thinks the price CompanyX gives them is okay but they also want to know how much it will cost them per month, which is impossible for CompanyX to know since it depends on the suppliers pricing of flights. If a supplier provides a low price they will get a better position on the website and thereby receive more traffic and therefor pay more to CompanyX. So CompanyX investing more in a new market might mean a risk of loosing suppliers that cannot afford to pay the increased costs. The best way for preventing this is to try to keep a balance

between the suppliers and monitor the different supplier costs so that none of them are too high. (CompanyX, 2014f)

The organization of CompanyX, being centralized, has both gains and losses. One of the losses being that there is no one working for CompanyX situated in Turkey. Having someone in Turkey, even just a part time sales person, would mean a broader knowledge about the market and what is happening there. One idea could be to have a local Google office in Turkey and in that way gain their valuable knowledge of the market, but that is nothing that CompanyX has tried for any market yet. Further, personal interaction with the suppliers was noted to be important in Turkey, which is a factor also affected by the centralization of the company. This could have been improved by CompanyX going to more fairs and showing their presence on the market by meeting more people there. (CompanyX, 2014f)

Marketing Campaigns

All of the campaigns run in Turkey are online campaigns and this is to reach a certain group of people – mostly Google users searching for flights but also young people on social media and blogs. It can be argued that CompanyX in this way are targeting early adopters and this has still not changed for the Turkish market. Later on, when the market has grown bigger, CompanyX might change focus to targeting the mass-market with offline marketing such as TV, cinema and so on. (CompanyX, 2014f)

4.5   Market Entry: Poland

Large cities: Warsaw - 1 700 000, Kraków - 754 100, Łódź - 725 700, Wrocław - 627 600, and Poznań - 549 400 (Book, 2014a)

Population: 38 200 000 (Book, 2014a)

Degree of urbanization: 64.9 % (Book, 2014a)

Internet usage: 65 % (InternetWorldStats, 2012)

GDP/capita: 13 967 US dollar (Book, 2014a)

Demographics: 0 – 14 years (15 %), 15-64 (71 %), 65 – (14 %) (Book, 2014a)

Year of entry for CompanyX: 2013 (CompanyX, 2014b)

4.5.1   Country Specifics

Poland is one of CompanyX's seeding markets and was entered in the beginning of 2013. It is not one of the focus markets due to the recent introduction and lesser revenue figures. Poland and other Eastern countries are a few years behind the Nordic countries when it comes to technology, online buying, disposable income, and travelling. There is an obvious demand for travelling but since CompanyX's target group is young there is of course high price sensitivity among the Polish users. In Poland, travelling often occurs domestically. The country offers the seaside, mountains and city breaks opportunities and has a well-developed infrastructure for internal travelling. (CompanyX, 2014b)

The market at the point of entry was not mature, and it has not reached its full potential today. The metasearch concept was and still is fairly new to the Poles. When entering the market about 20 – 25 % of the target group were familiar with metasearches. The number has risen because of the overall industry dynamics. CompanyX can also see in user behaviour that there have been changes. The number of visitors has increased on the website as well as for the mobile devices. Additionally, CompanyX sees that young people pay with credit card to a higher degree. It is difficult to obtain a credit card, because it requires a contract of a

minimum of 12 months employment. Hence, young people are affected in particular. The Polish people are sceptical and have certain distrust to online payments, and very few suppliers of CompanyX accept bank transfers. (CompanyX, 2014b)

There is a great deal of competition on the Polish market. There are direct and indirect competitors present. The direct ones are for example CompetitorA and CompetitorB. CompetitorA is one of the biggest actors with a market share of 10 – 15 %. They have been on the market for five years and have a data centre site in Poland. Regarding the indirect competitors these are the airlines and travel agencies, and also considered partners in business. Competition can be considered differently, depending on how you define it. (CompanyX, 2014b)

4.5.2 MARKET ENTRY PROCEDURE

Creating the Polish website did not require any adaption of the service content, minor customizations were made while the original main functions remained as per directives from management. It was predicted to set up the website in a month's time, the actual time before launching was one and a half month. The small delay rose because of the difficulty to complete the Polish translation. There is grammar complexity changing endings of cities, once the city name is put in a new context. This was issued by the developers at CompanyX. Launching before having content texts in order would have been unprofessional. (CompanyX, 2014b)

Suppliers

Nor can the website be opened before suppliers have been involved. The process of getting suppliers for the Polish site was quite long. It started with online searches, trying to find ticket portals and OTAs. Direct competitors collaborations were also scrutinized and listed. One by one they were contacted by phone or email, trying to get a reasonable amount of partners and ensure a good offer for the coming CompanyX users. One of the bigger players in the market is Wizz Air and including them in the search result was key since it is a known Polish brand and a low-cost carrier. Convincing suppliers to become partners was not always easy for CompanyX. They were mostly unfamiliar with the concept and a lot of time was spent on describing the service and what the benefits were. It was important to be transparent and ensure no extra fees were charged from CompanyX. Highlighting the international reach, years of experience, and proving the strong presence in the Nordics was also successful. Brand recognition would

have eased the contracting of suppliers. In CompanyX's case they were not just an unknown player to the market, they also offered a new concept. (CompanyX, 2014b)

To win suppliers' trust it takes stubbornness and a great deal of persistence. It is also essential to build a long-term relationship with the partners. Communication should be kept on a regular basis, so for instance when there is a long weekend coming up, CompanyX should make sure that the partners are aware of a potential increase in traffic before that period. This ensures that both parties are on the same page when it comes to anticipating traffic. (CompanyX, 2014b)

Including suppliers in the CompanyX search result was time consuming. There are a number of matters you need in order to prepare a customized offer. You need to make sure what their offer is, what their needs are, how to connect their search offers with CompanyX, and so forth. And then, the technical part begins, coding and setting up the page. As mentioned before, this usually takes about a month's time. However, sometimes unforeseen issues arise, for example if a supplier only provides prices in euro, the amount has to be converted to the currency used in the local website where the search is made. Sometimes it was possible to gradually get suppliers involved in CompanyX's search result with a trial solution. They were offered to only have some routes in the hit list to examine how much cost, traffic and income an agreement would generate. The suppliers then discovered the benefits and expanded the offer. (CompanyX, 2014b)

A risk would be if suppliers were not reliable, and CompanyX displayed a player with bad rumour. To avoid fake actors, quality checks of the suppliers are made continuously and new partners are screened carefully before a contract is signed. (CompanyX, 2014b)

Marketing Campaigns

When analysing the market there were risks identified. Most of them were connected to the lack of knowledge in how a metasearch engine works, and thereby considered as risks to overcome. Still, you do not want to risk the users' impression of the company is inaccurate, and somewhat harm the brand. If a customer wants to cancel a booking for example, they can get disappointed with CompanyX, not giving them the service they expect. But since CompanyX has nothing to do with the acquisition they can direct users to contact the partner who actually sold the ticket. (CompanyX, 2014b)

Attending a travel fair was described as valuable in several ways but foremost, the face-to-face interaction with collaboration partners. This is a hard part for an online company and more over, most activities are taken care of from the head quarter office, which sometimes can be a drawback distance wise. (CompanyX, 2014b)

Marketing was the latter activity in the market entry process. The first three or four months were devoted to building the website, before CompanyX could communicate their message, and offer customers the best prices. The website was advertised, but to a smaller extent. The marketing plan was and is still to improve CompanyX's position the Polish market. It takes more than online marketing to build a brand and by multi-channelling the communication CompanyX tries to penetrate the Polish market. In some cases PR was limited by the centralized location. A lot of the marketing is focused on purchased link advertisement in Google. There has been PR engaging bloggers as well as profiles being registered on Google+ and Facebook. In order to get some physical presence CompanyX attends fairs and conferences. Networking with representatives from the industry is an important element. Online marketing however, is the majority of all the marketing activities. With online marketing you can see results faster than with offline marketing or press releases, where the impact cannot be measured. Marketing is not so much about planning the activities, it is rather to test and see the outcomes. With the online actions, the effects are instant. As a market responsible, it is a learning process and a lot of the inspiration comes from experienced colleagues. Gradually, marketing changes and CompanyX also strive to customize activities as much as possible. There is also an obvious seasonal variation in their communicated advertising. (CompanyX, 2014b)

Pricing

The most applicable pricing model for the Polish market is CPC, because it is more transparent for both the supplier and CompanyX. It is easier to estimate the traffic and thereby the cost for the supplier. Some contracts were umbrella deals with the international partners, and these were just adjusted to cover the Polish market as well. What the actual price was for traffic was decided from directives from management, a certain price range to operate within. (CompanyX, 2014b)

4.5.3 POST MARKET ENTRY REFLECTIONS

Looking back at the most important factors when entering a new market, it was critical to balance the overall company strategy, with how it fits the target market.

The CompanyX strategy is to be hip, different, and innovative. CompanyX wants to give inspiration. The website is decorated with pink colours, and in conservative Poland this is a bit of a challenge. Even though the company has a modern and striking approach, it is reliable which could be pointed out by the success in previous markets. The finalizing of the website was also a significant part of the entry. To invest time in all the steps was a good decision. Primarily getting the suppliers, but also showing the relevant prices, and have correct translated city names sounds like it is the basic, but very small details will influence the visitor's impression and should be nothing but professional. The initial work is intense and you struggle, but once the work is done, the machine is running. Today CompanyX has 5 suppliers on the Polish market. (CompanyX, 2014b)

Transparency

CompanyX is very concerned about always showing the exact price on a search result. Some suppliers add extra prices (e.g. credit card charges) once the customer has been redirected to their site. This is a constant struggle and suppliers continue because they are eager on to end up on top of the search rate. Transparency is a key word for CompanyX and sometimes they add the extra fees themselves on search results where they know more fees are added later on in the buying process. (CompanyX, 2014b)

Market Penetration

The market penetration in Poland has been successful so far. For both website and mobile application, the number of visitors is increasing, the amount of traffic is higher for each month, and more people like CompanyX on Facebook and Google+. Travellers and partners have accepted CompanyX and they are not considered beginners any longer. The introduction in Poland can be seen as a slow progress compared to other markets that were entered at the same time. Although, it is difficult to compare because of population size varies and the share of people having Internet access also differs. Poland is a growing economy, and more and more people become Internet users. Today 65% of the population are able to go online. Building the awareness and to position themselves in customers' minds, take time. Hence it makes sense to enter countries like Poland despite current market state. (CompanyX, 2014b)

Common for the seeding markets is also how all PR and messages have to be more descriptive and educating than for other markets. Promoting Bangkok to

appeal visitors makes no sense. It is an expensive destination and therefore the content is adapted for Polish users instead. Apart from domestic travelling, the Poles like Paris, London, Berlin and other European cities. It is in the pipeline to open a blog to further inspiration, but also another channel to educate how CompanyX works, visa information and so forth. (CompanyX, 2014b)

More or less all the problems faced when entering Poland, i.e. no physical presence and such, could be viewed as industry specific rather than market specific. The obstacle with online payments was also more of a problem for all the seeding markets. The overall process of the market entry would have been applicable for most of the other markets CompanyX plan to access. (CompanyX, 2014b)

Local Awareness

It has been an advantage to have a Polish person responsible for the launching in Poland. Having the same age as the target group, aware of young people's situations made it easier to see and understand some effects on CompanyX's actions. Using Google Analytics CompanyX knows by fact that their users are between 19 – 35 years old, which is the target group they have in mind. The obstacle with a noteworthy distance to the market remains. How to have a local presence and contact being abroad is a knowledge that would have been good to have in advance. Some possibilities will CompanyX never have without a local office in Poland, which in return could imply a troublesome distance to the headquarters. (CompanyX, 2014b)

Despite a fairly good knowledge about the Polish market, there were some things that were hard to foresee. The layout of the website is one example. Attributes like the black background, the bright pink, and orange and turquoise typing were expected to be dismissed by the Poles, but as it turned out, it was never really a problem. (CompanyX, 2014b)

To initially target early adopters and trendsetters was of course an objective, but they are not always easy to reach. Instead, you could target the bigger cities first, with the assumption that people with technical skills, 3G and Internet access, and people with more disposable income live there. Once reaching the critical mass of early adopters, it spreads really fast to the rest of the population. (CompanyX, 2014b)

Technology

Retrospectively, having a good knowledge in the company technology facilitates since one operates in different areas all the time in the online business. Some initial processes, like discussions with the development department, could have been shorter if all facts and terminology were clear from the beginning. What also matters is the person behind a market entry project. Many things can go wrong and it would have been easy to give up. It is about being determined and result driven, in other words, personality characteristics matter. Also the sales department benefitted from having a native speaking colleague for the Polish market. Advantages with metasearch engines are difficult to see if you are new to the concept, having it explained in another language does not make it easier. As in any other business the marketing and sales department work closely together, CompanyX is no exception. (CompanyX, 2014b)

4.6 Market Entry: Ukraine

Large cities: Kiev - 2 800 000, Charkiv - 1 400 000, Dnipropetrovsk - 1 000 000, Donetsk - 979 600, Odesa - 979 300 (Sjöberg, 2014b)

Population: 45 500 000 (Sjöberg, 2014b)

Degree of urbanization: 69 % (Sjöberg, 2014b)

Internet usage: 45 % (InternetWorldStats, 2012)

GDP/capita: 3 575 US dollar (Sjöberg, 2014b)

Demographics: 0–14 years (14 %), 15–64 (70 %), 65– (16 %) (Sjöberg, 2014b)

Year of entry for CompanyX: 2013 (CompanyX, 2014g)

4.6.1 Country Specifics

The Ukrainian market is one of CompanyX's seeding markets and it was entered in the beginning of 2013. Metasearches have only been used in Ukraine since 2011, and are still a new concept to the market. Even some of the OTAs are also unfamiliar with CompanyX's business and when they are contacted, a lot of time is spent on explaining what CompanyX is and how it works. The novelty does not have to be entirely negative since it may give first-mover opportunities. In Ukraine the usage of the mobile application is limited. Few people have smart phones and there is not 3G. Despite a fairly recent market entry, it can already be seen that the number of users are growing little by little. Especially people from central and western Ukraine, whereas the eastern part is influenced by Russia and is more isolated. Wizz Air opened a lot of routes from Kiev and this has enabled an increase of travelling. Compared to Ukraine, the Nordics have several low-cost carriers e.g. EasyJet, Ryanair, and Norwegian, this is another limitation for Ukraine. It is possible some Ukrainians utilized the Russian website before the Ukrainian was launched and therefore CompanyX was known to some in advance. (CompanyX, 2014g)

Competition wise, there is the direct competitor CompetitorA on the Ukrainian market. Another Russian search engine, Aviasales, has some presence in Ukraine, but has no intended focus there. There are also a number of well-known OTAs, which are partners too. Even though CompetitorA entered Ukraine before CompanyX, they have been quite passive and CompanyX is currently driving more activities. There has also been a change in customer behaviour. Not too long ago everyone used the offline travel agencies. The newer generations that are starting to earn money prefer independency instead of involving an agency. The Ukraine users are somewhat older than the general target group of CompanyX. They are rather in their thirties or late twenties and are able to spend money on travelling. Regarding the competition situation, it is difficult to have an overview of what changes there have been. After the market was entered it took around six months to get a good picture of the state. In the last six months no additional competition has been detected, however, as the market grows, there will be changing circumstances. (CompanyX, 2014g)

Ukraine is still far from a mature market. Apart from having to explain to OTAs about metasearches, a lot of effort is put on educating users. There is a lot of feedback from visitors. They do not understand how to separate CompanyX from the ticket provider. Common cases would be "I booked a ticket with CompanyX, but I didn't receive my reservation, can you see it? Can you send it to me?". (CompanyX, 2014g)

Ukraine is not part of the EU and Ukrainians need visas for almost every place they wish to visit. It takes at least two weeks to get a visa, and this limits spontaneous trips to some extent. The domestic travelling is usually by train even though there are a couple of internal airports. (CompanyX, 2014g)

In the Ukrainian market CompanyX has around ten suppliers, and the number is rather stable. The partners are mainly bigger actors. There are also a couple of middle size suppliers that is of interest. (CompanyX, 2014g)

4.6.2 MARKET ENTRY PROCEDURE

Firstly, it took some months to translate the page. Setting it up was a quick process since the website already existed in Russian and the transition was frictionless. Ukrainian suppliers are shown on the Russian domain if the search is made from Ukraine, earlier only the Russian domain was used for Ukraine with its domestic suppliers. Today there are two domains available when the search is from Ukraine. The Ukrainian and Russian languages are like Swedish and Danish,

even if it is understandable for both parts, it is still preferable to use a site with your spoken language. Besides, for those visitors that think of CompanyX as an OTA, they will be extra sceptical to make a purchase since buying from a different country would logically become more expensive. (CompanyX, 2014g)

Suppliers

The Internet and Google were used to find Ukrainian suppliers. After trying to figure out how big they were, they were contacted one by one. The initial contact was per email but after a while CompanyX called suppliers by phone, since it was an easier way of getting in contact with the right persons. The personal contact would have been preferable and was requested from many. CompetitorA's partners were also investigated. (CompanyX, 2014g)

CompanyX met all kinds of obstacles with the suppliers in Ukraine. Technical functions, no APIs, but also payment issues, and mistrust were some things that had to be tackled. The decision process was long, but once the suppliers decided to join CompanyX, they were integrated in a week. (CompanyX, 2014g)

Pricing

The pricing model used in every case is CPC. For some of them there is a good chance there will be a switch to CPA. CPC is considered better because it is common for users to order their ticket online and then afterwards go to the offline OTAs and pay by cash. This makes it impossible for CompanyX to keep track on if the acquisition has happened or not. (CompanyX, 2014g)

Marketing Campaigns

Initially there was no market plan. Half a year after the market entry, marketing activities were taken up to discussion. At that point, only PPC actions were used, which brought the most traffic. What CompanyX did was to cooperate with websites, creating promotions, competitions, and there were articles written about the company. These were successful activities. In Ukraine marketing is cheap compared to the Nordics, so it is fine to try what works well and what does not. Offline PR is so far limited, but CompanyX will participate in a travel fair and hopes to get many new connections. Also some sponsorship events have been considered for the coming year. The Russian social network VK is dominating social medias in Ukraine. All marketing on VK is handled by a Russian colleague and is not included in the Ukraine budget. Social medias are not fully utilized and

could potentially bring more traffic eventually. Facebook is not as common in Ukraine. (CompanyX, 2014g)

4.6.3 *POST MARKET ENTRY REFLECTIONS*

The most difficult issue during the whole introduction process was to explain what a metasearch is and how it works. For many collaboration partners, especially OTAs, it was hard to convince them about their benefits working with CompanyX. At the upcoming travel fair in Ukraine, CompanyX will hold a seminar with the aim to educate the industry. (CompanyX, 2014g)

The currency recently devaluated, which might have a negative impact in the nearest future. Being an online service provider does also affect users. They expect CompanyX to charge extra fees, and do not always realize the service is free of charge. Regarding obstacles during the entire entry process, the majority were not market specific, but general for all online market introductions. (CompanyX, 2014g)

The number of Internet users is low. Hence, the development of the market is a slow process. Today, approximately 45 % of the population has Internet access, and this can be compared to the Nordics with almost 100 % coverage. Some reports indicate that there is a growth of Internet usage in smaller cities in Ukraine, which implies there is a geographical spread. (CompanyX, 2014g)

Marketing Activities

The market analysis was scarce, if something could have been done differently, a more rigid research would have been useful. CompanyX more or less just looked at the competitors, volumes of flight tickets for CompetitorA and comparing to other OTAs. There are no Google reports to use for the Ukrainian market, which might be a limitation. Even though CompanyX is growing CompetitorA has come much further, so there is still a lot to do. (CompanyX, 2014g)

Marketing activities have not changed much since the market introduction. The same people are being targeted and CompanyX's concept is still new. Marketing and the service need to be adapted to each market. Banners look different on the Ukrainian page for instance. At CompanyX.ua more descriptive and informative signs meet the visitor. Wizz Air is also showed clearly at the website, since they are of high interest. There have been other discussions of how to help users, like monitoring links to the embassy. (CompanyX, 2014g)

To enhance the work with suppliers and to attract more visitors, offline promotion could have been of help. A TV commercial would have improved the CompanyX brand recognition, and it could have been worth the investment. Starting from scratch in a non-mature market makes every step more time consuming. (CompanyX, 2014g)

Buying Process

Users' behaviour was hard to predict. The purchase process has proven to be remarkably longer than for other markets. Price sensitivity is one factor prolonging the buying decision. The uncertainty makes users wait in case cheaper alternatives could be found elsewhere. The wait for visa is another barrier that may impact the point of acquisition, causing a lower conversion rate. A survey sent out to users asked how many times the users usually visited CompanyX before the purchase, with the options 1-2 times, 3-4 times, and 5 and more. 75% of the Ukrainian users answered 3-4 times or more. Contracting more suppliers could possibly improve the current situation but it is hard to say. (CompanyX, 2014g)

Influenced by Russia

The entry in Ukraine was smoother thanks to the Russian website. Not just that the translation was fairly straight forward, but some of the activities for the Russian market reached Ukraine before the Ukrainian website was launched. Many Ukrainians watch Russian TV and Youtube promotion is also showed outside Russia. The initial strategy CompanyX had, was to cover Ukraine with the same resources as for Russia. However, there have been reasons to separate the markets and lately, with the riots in Ukraine, the decision was proven to be correct. It is easy to think that everything can be applied to any market, especially when the company pace is high. When there were shootings in Kiev, there was at the same time suggested a commercial add with Kreml on social media. Many could have considered the act as offensive. It is important to not get political, and social medias in particular, easily incites users. (CompanyX, 2014g)

4.7 COMPILATION OF TARGET MARKETS' TRAFFIC

The five markets targeted differ in website traffic over the last year and traffic is one way of measuring the success rate of a market. Compiling the amount of searches made for each country shows how many users that stayed on the page and used the service, which says more about the usage of CompanyX than the visitor traffic does. *Figure 5* shows the relation between the numbers of searches per day for the five different country webpages.
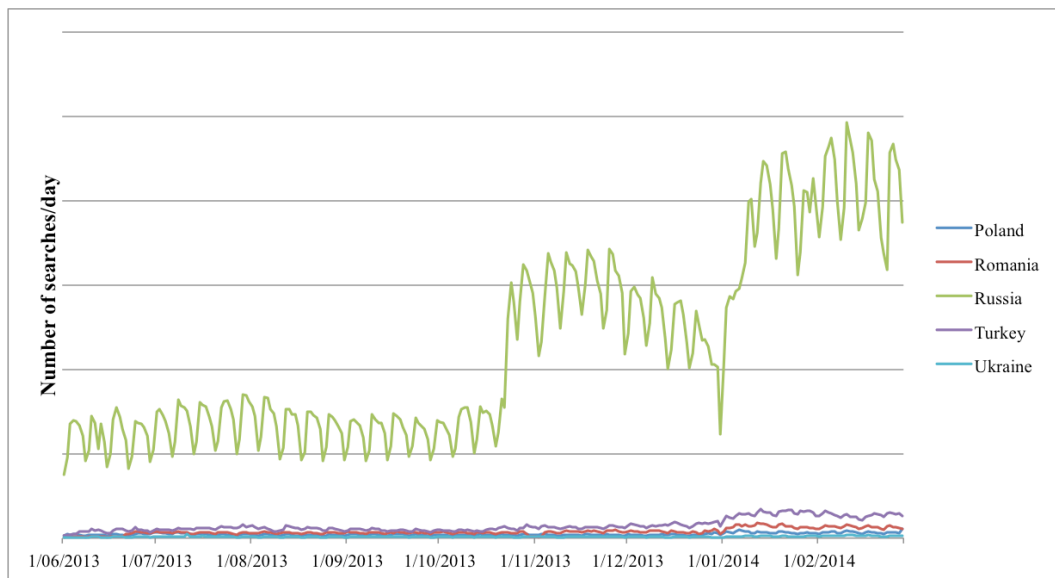
Figure 5: Searches per day for the five target markets over 9 months (CompanyX, 2014i).

Russia, being one of CompanyX's biggest markets that was entered a couple of years earlier than the remaining four, has a significantly higher number of searches per day on the webpage. To better be able to compare the four seeding markets *Figure 6* shows number of searches per day for the target markets excluding Russia.
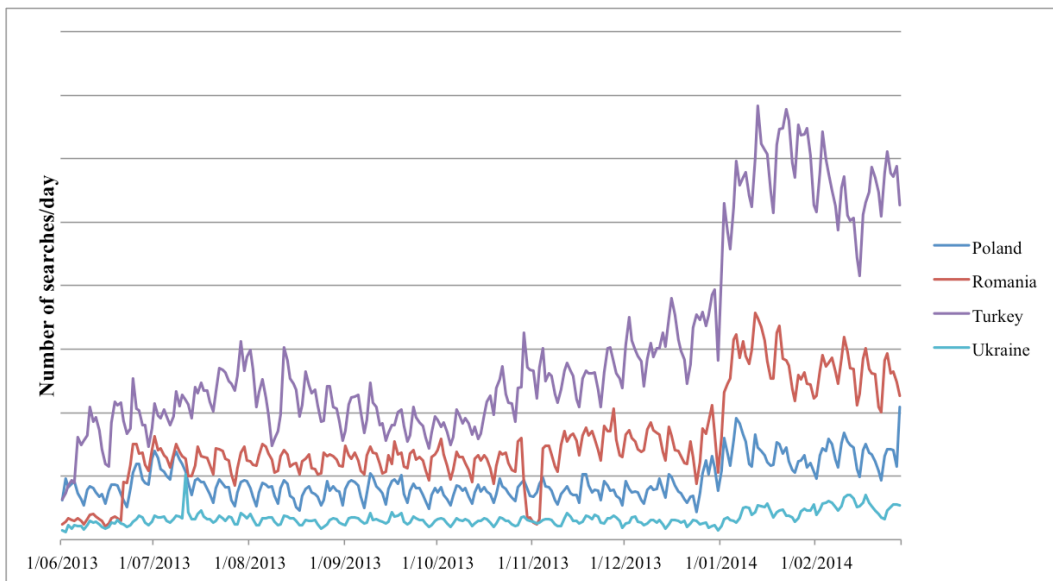
Figure 6: Searches per day for the target markets (excluding Russia) over 9 months (CompanyX, 2014i).

4.8   ADDITIONAL THOUGHTS REGARDING MARKET ENTRIES

Throughout the interviews different thoughts regarding CompanyX and its business were revealed from the interviewees. These could be about market entries in general, specific market entries for other markets than the ones earlier described, or CompanyX's organization structure. Below is an assembly of the topics that came up during the interviews presented.

4.8.1   SUCCESSFUL ENTRIES

A successful market entry is difficult to specify, it completely depends on how it is defined. One way is to find interesting Key Performance Indicators for the success. A market can have a high number of users every day, but if it is paid traffic this can still be questioned. A smaller market would obviously have lower activity, which also makes comparisons difficult. Onwards, what is actually a market entry? When does it move over to rather growing a market? These are interesting questions that make a successful market entry hard to define. (CompanyX, 2014e)

Russia

One of CompanyX's market entries that can be considered to be successful is the introduction in Russia. This is mainly due to the fact that many international companies have failed in entering the Russian market while as CompanyX has not

and is still growing there. Russia is a very different market, so for a western European company to expand to Russia and succeed in doing so is a big deal according to CompanyX. This together with the potential of the Russian market growing once Internet penetration grows, makes Russia an important market for CompanyX. (CompanyX, 2014c)

The success factors may have been that CompanyX from the start found an agency in Russia that worked well for them. This agency helped CompanyX in understanding the market at the same time as the market was growing fast at the time and had a lot of potential for this kind of service. (CompanyX, 2014c)

Turkey

Some of the people at CompanyX think that the market entry in Turkey has been successful. This is partly due to the smartphone application being popular there, which in turn depends on that most young people in Turkey has a smartphone and it is their way of getting access to the Internet. (CompanyX, 2014f)

Out of todays seeding markets Turkey can be described as the most successful one so far, but this mostly has to do with the other seeding markets being a couple of years behind Turkey in case of Internet development and the maturity of the travel industry. Therefor CompanyX thinks it might not be accurate to make any conclusions regarding the market entry procedure itself since the most important factor probably is the markets level of development. (CompanyX, 2014e)

4.8.2 PROBLEMATIC ENTRIES

China

In China CompanyX has experienced some problems, which has caused delays in the market entry process. This has both been due to cultural differences and legal issues.

One thing is the design of the webpage. The design that has worked all over Europe will probably not work in China where the standard for webpages is too different. Firstly the colour black means something bad in China and therefor the black background, which is a part of CompanyX's signature design, has to be changed for the Chinese market. Another thing is that most Chinese pages have a lot more information everywhere, and the classic CompanyX page might look too boring for them and make the Chinese people visiting the page loose interest. All this has been something for CompanyX to think about when planning a strategy

for the Chinese webpage, how to keep the CompanyX style at the same time as meeting the demands of this new market. At the same time, Head of Markets at CompanyX argues that CompanyX is always going to be what CompanyX is when it comes to how it looks. China is a challenge and by looking at the competitors, their layouts differ a lot. Usually these sites are crammed with information. A new website is not in the pipeline. CompanyX believes that what they do and how they present their offer is their core value. CompanyX further claims that in only how they express themselves in words, it is possible to reach the target group better. It is not impossible there will be a name change, and changing the brand name would of course be a big modification. (CompanyX, 2014e)

The legal situation in China has also caused problems for CompanyX. If a company wants to set up an account for a search engine (for example Google) it is in any European country easy to do so from another European city, but in China the company has to be registered as a Chinese company to be able to do the same thing for the Chinese equivalents. Since CompanyX does not have an address in China they were not allowed to open some accounts, which means loosing a lot of traffic. (CompanyX, 2014f)

The problems CompanyX has had with the website design and the legal issues was hard for them to predict and CompanyX has a hard time figuring the Chinese market out from over in Europe. Instead they are now considering having an agency in China in order to gain market specific knowledge that is well needed for this market. This would also solve the problem of not having an address in China. On the other hand, the complications with an agency in China are language problems, time difference and the different ways of working, which makes it hard for CompanyX to cooperate with such an agency. One solution to this could be having a Chinese person in-house that is responsible for the contact with this agency and suppliers. (CompanyX, 2014f)

The not so successful first try to expand to China, while being Europe based, could maybe have been prevented since it is well known that China has a very different culture to European countries and this should have been taken into account. Although, the effort that was put in was only a single person testing the market with the same structure that was used in Europe so the loss of resources was not huge and some knowledge was gained along the way, which might help in the future. Although, it might be necessary to invest heavily in order to see results on such a though and big market. (CompanyX, 2014f)

United States of America

The USA is a though market competition wise and it is difficult to reach a critical mass there. It is also different in culture from the European markets. From what CompanyX has seen of other businesses, it is a crucial factor for success in the USA to have a local office there and eventually a local CEO. This is needed in order to be competitive and to follow this huge market and the competitors. (CompanyX, 2014c)

At the moment CompanyX thinks that they have managed to get the right suppliers on the USA market. The problem is that in such a big market a big communication budget is needed, which CompanyX does not have today. One example of this is CompetitorA that was successful on the market first after opening an office there and starting to invest heavily in communication. (CompanyX, 2014c)

Today, CompanyX is relatively small in the USA but it is still considered to be a focus market because of the revenue it brings to the company. It is if compared to the potential of the market that CompanyX's market share can be considered small. (CompanyX, 2014c)

CompanyX's presence in the USA is more of a strategic purpose. If you can get PR in the USA, it goes across the pond and ends up in Europe as well. That is why this country is an interesting market, and the profit becomes more secondary. (CompanyX, 2014e)

4.8.3 ADAPTING THE SERVICE

Today CompanyX has chosen not to adapt their service for every new market they enter. They do change some smaller things on the website, like adding an information banner for some of the seeding markets and a visa option for the Russian market, but the website content and functions stay the same for all markets (CompanyX, 2014b, CompanyX, 2014c, CompanyX, 2014d, CompanyX, 2014e, CompanyX, 2014f, CompanyX, 2014g). This is mainly due to lack of resources since reconfiguring the site for every market would be time consuming and is not a priority. Maybe this will be done in the future if there are bigger teams for each market, but at the moment focus is on expanding further. Although, if a market is completely different in culture the service CompanyX provides might have to be adapted to reach the demand of the users. This will

probably be the case in China and Brazil, but that remains to be seen. (CompanyX, 2014f)

One of the barriers CompanyX is still facing today, but is about to cross, is how to support multiple language speaking countries with just one site. Countries like Canada, Belgium, and Switzerland are markets that CompanyX has not chosen to enter yet. It is one domain that needs to be filtered. Ideally if you live in Switzerland and you speak German, you would be presented with a German language when visiting the website, and if you speak Italian, you would be welcomed in Italian. (CompanyX, 2014e)

4.8.4 THE ORGANIZATION

CompanyX currently has an organization where everything is done from their head office in a European capital. For each market they try to have one person handling it that actually comes from that country originally. This is in order to gain knowledge about this market as to how consumers think, how suppliers want to be handled and what the market trends are, as well as overcoming the obvious language barrier. (CompanyX, 2014b, CompanyX, 2014c, CompanyX, 2014d, CompanyX, 2014e, CompanyX, 2014f, CompanyX, 2014g)

It all comes down to the culture aspect according to CompanyX. They think it is important to know a specific culture and how to deal with it in order to be a successful online service provider, especially for new markets with a lot of uncertainty. For example CompanyX is now planning on entering the Brazilian market that is quite different in some aspects. Firstly, the payment model for OTAs there has a different structure, which means that CompanyX will have to adapt their service to this structure. Therefor CompanyX has now decided to hire a Brazilian that can contribute with knowledge about this and the culture in order to make the service as good as possible for this market. (CompanyX, 2014c)

It may be that in some big markets where the culture is very different and the competition is fierce, there might even be a need for a local agency, and this is something that CompanyX is evaluating at the moment. The more a market differs from the ones the company is already present on – the more information about the market and its consumers is needed. (CompanyX, 2014c)

4.8.5 ENGLISH SPEAKING COUNTRIES

Expanding to an English speaking country is by CompanyX considered to be easy, even if the country in question is not geographically close to Europe. This is because the suppliers for the ".com" and ".co.uk" webpages can be contacted and asked if they want to be a part of the new domain opening in this new market since there will be no language differences and no changes in the website needed. This would be the case for example for an expansion to Australia where the culture is very similar to that in Europe. Time difference could possibly be a problem in this case but since many possible suppliers for this market are already partners for CompanyX they do not see this as a big problem. (CompanyX, 2014f)

4.8.6 DOMAIN NAMES

Domain names are something that can cause a lot of problems for online companies. If it happens that someone else has already registered a brand called CompanyX on a particular market or if someone has already registered for the domain name, then lawyers have to get involved and it will take time and resources to solve this problem and obtain the domain. Even if no one has claimed the CompanyX domain yet it takes time to obtain it, which is why it is important to start getting domains early on for the markets the company might expand to. CompanyX has done this for many markets already and sees it as an important part of their expansion strategy to obtain the domains for as many markets as possible, to not be limited in the future. (CompanyX, 2014f)

4.8.7 BEING A FAST GROWING ONLINE COMPANY

For market expansion, being an online company is an advantage. It makes it easier to expand globally since there is no need to be physically present on the new markets (CompanyX, 2014f). Marketing activities are also easier online and require fewer resources than offline activates. This enables the company to grow fast globally but CompanyX also sees a risk with this. When a company grows fast it is important to not loose communication flow internally and therefor the company needs to keep reinventing their services and structure. CompanyX is aware of this and thinks that it is important for their future growth. (CompanyX, 2014c)

5 ANALYSIS

The analysis has been conducted using the three frameworks PEST, CAGE, and Three Cs previously described in section 3.2 Models and Frameworks. Together these frameworks construct the analysis model for this study and can be seen in Figure 7. The PEST framework analyses the characteristics of a new market, the CAGE framework analyses the distances between characteristics for the company's existing markets and those of a new market, and finally the Three Cs framework examines how to construct a strategy for the new market entry.
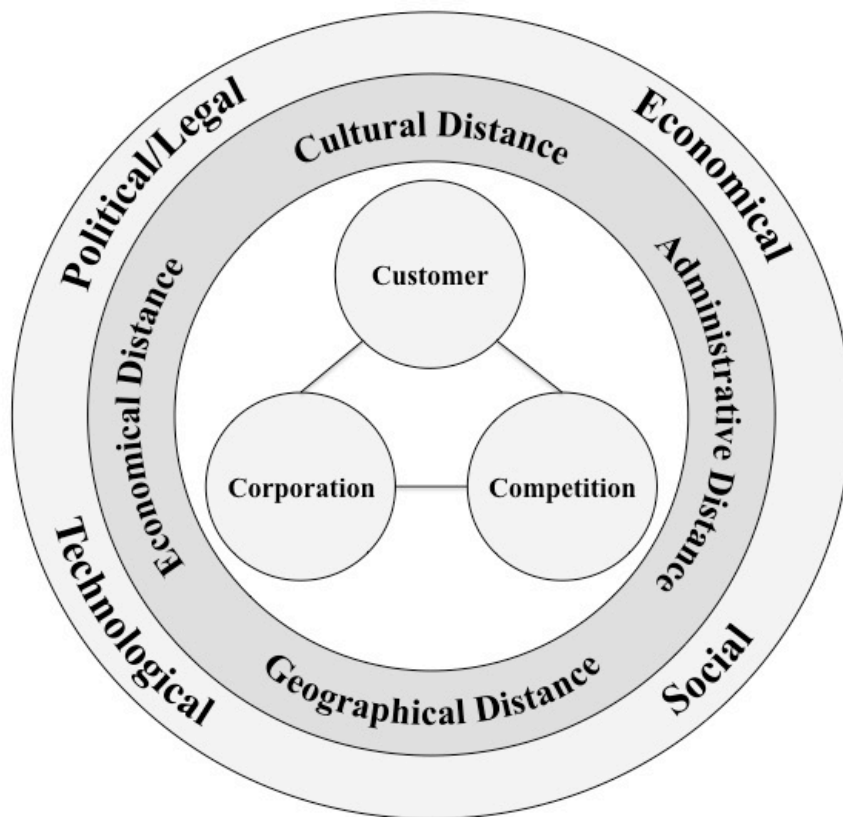

Figure 7: Analysis model built up by PEST, CAGE and Three Cs

5.1 NEW MARKETS CHARACTERISTICS

In order to investigate a market's potential for a new entry the PEST-analysis can be used to describe the markets four important characteristics that can affect the

potential success of the company. Here the PEST-analysis is used to categorize the different characteristics that are of importance to CompanyX and online service companies in general.

5.1.1 POLITICAL/LEGAL FACTORS

The political and legal factors of a market can have a big affect on a market entry. Different countries have different laws and regulations that are important to be aware of so that no expensive mistakes are made, as earlier mentioned to be said by Johnsson et al. (2008) in section *3.2.1 PEST – New Market Characteristics*.

In Europe, countries with no membership in the European Union need visas to travel and this might be an obstacle for the travel industry. This has been the case in Turkey, Russia and Ukraine. Getting a visa is an additional fee, and could possibly affect a person's decision. Applying for visa also prolongs the process, something that for example the Ukrainian website has experienced. This means that markets where the population has a higher mobility degree the chances of gaining traffic increase. For a travel metasearch engine, it is of course desirable that people can travel without constraints.

The political situation can cause a disturbance in people's vacation or travel spending. If the political climate is turbulent, it is less likely someone will book a flight, as was the case for Ukraine. During the political crisis the currency has devaluated and for a country where the disposable income is already low, a situation like this has a significant impact on consumer's behaviour. A nation's political situation can be a temporary occurrence or a longer, on-going state, and needs to be taken into consideration when selecting a new market.

Using the example of Ukraine once more, it is of importance to try to maintain the political indifference in how the offer is presented. All domains are available for everyone and it is fully possible for Ukrainians to choose the Russian site or follow CompanyX on the Russian social network VK, which means that for an online actor the communication cannot always be correctly targeted. This situation is likely to occur in other parts of the world too. Looking at upcoming future markets for CompanyX, it is plausible there could be similar conditions for a case like China and Hong Kong.

Some countries have a high degree of bureaucracy and very few affairs are dealt with online. This is reality in Russia. To get an online business running in these markets is a slow process and the users need to be educated. However, despite the

paperwork complexity in Russia, it has turned out to be a successful market. Hence, some circumstances should not change the direction of an expanding company, rather be taken into account.

There have been issues in obtaining the CompanyX domain in different countries. This is not a market specific problem, but it is a clear determinant of whether to be able to enter or not. If someone else has acquired the domain this will mean a long legal process, and valuable time in gaining market shares is lost. For CompanyX this was a problem in one out of five examined markets, Turkey. Proactively collecting domains that are of interest for future growth can prevent the domain issue. Yet, to a new player on the market this is perhaps nothing that is considered until one has had the experience.

It is not just the CompanyX domain that the company needs to get hold of. In some markets domains resembling to the CompanyX one have intruded the intellectual property. These threaten to harm the brand and create an incorrect perception of the business. For companies in general, in some markets it is harder to protect the intellectual property and places where frauds are common seem to apply for online businesses too.

There are always domestic regulations to adapt to for a global actor. Not one concept works in every place. In China CompanyX would have to extend their centralized structure due to the requirements of local presence.

5.1.2 ECONOMICAL FACTORS

When comparing the GDP of the five target markets it can be seen that Turkey, Poland and Russia have a GDP exceeding 10 000 US dollars per capita, while Romania has a lower of 8 666 US dollars per capita and Ukraine has the lowest of 3 575 US dollars per capita. A low GDP per capita does not have to mean that a country is poor, but when comparing countries it most often indicates how big the plausible revenue for the company on the markets will be. An additional factor to have in mind here is the size of the population. Ukraine might have a low GDP per capita but with its population of 45 million this still makes for revenue potential. This can be compared with for example Sweden, being one of CompanyX's biggest markets, that has a much higher GDP per capita but has a small population.

Further, an interesting market is Russia with its large population of 143 million and GDP of 13 236 US dollars per capita. This might seem like a market with

extremely high revenue potential but according to CompanyX the market actually includes a population with a few very rich people and a large mass of poor people. The rich part of the population does not have the need to look for cheap tickets online, they rather buy expensive all inclusive trips from local travel agents, and the poor part are too poor to buy flights at all. This, together with CompanyX's target market being young and hip people, leaves the company with a narrow market of young people being rich enough to buy flight tickets but still wanting to find the cheapest ticket.

According to CompanyX, the same case also goes for Turkey that has a higher GDP per capita than Ukraine and is a growing economy, but here as well the wealth is not distributed evenly which means that only a smaller part of the population can afford to travel. This affects the travelling trends in the country and is a factor to keep in mind for travel agencies.

If a market has an unstable economy it can be risky to make an entry in this country. Ukraine has had some problems lately with a devaluated currency and this might have some negative impact on the market in the nearest future, according to CompanyX. For example the Ukrainian market has high price sensitivity and the purchase process is longer than for other markets, which depends on people being careful with their money in a problematic economy. The economic crisis over the last years has brought a change in travelling trends in Romania, and people tend to travel more domestically, which is not as expensive. It has also affected the OTA's, putting them in a hard situation financially, which makes price the main driver for them when making deals with partners such as CompanyX. An economical crisis is not solely affecting single markets and it is therefor not possible to assess a country on only this point.

An economic factor that has been an obstacle for CompanyX in the eastern European countries is the scepticism to online payment with credit cards. This problem can be found in Romania and Ukraine where people question the credibility, however, this is a problem that is getting smaller. In Ukraine the distrust also depends on CompanyX being an online service provider since they expect the webpage to charge extra fees.

It can be concluded that the Eastern European countries are a few years behind the Nordic countries when it comes to online buying. This is a factor that can be seen as an obstacle for CompanyX at the moment, but it can also be seen as a great potential if CompanyX is there from the beginning and are able to grow as the

market grows in terms of online buying and disposable income. To draw this conclusion means that a market's present economy is not as important as where it is heading. A large population can mean large revenue potential in the future even if economical factors are an obstacle at the moment.

5.1.3 SOCIAL FACTORS

According to Johnsson et al. (2008) in section *3.2.1 PEST – New Market Characteristics* the social factors of a market is important to look at to make sure that there is a big enough target group in the new market. Further it is also described that it is important to understand the needs and behaviour of this target group before entering the market.

It can be concluded for all the five target markets that CompanyX's target group, young people with a higher education that can speak English to some degree, is more or less narrowing the possible users. In Turkey the population is very young compared to other countries in Europe and this factor makes the Turkish market more attractive to CompanyX since their target group is bigger there than in other markets. Out of the five markets being analysed, Turkey also has the highest degree of urbanization (76 %, see chapter *4 Empirics*), which adds to the size of CompanyX's target market (being young people living in cities). This shows that the demographics of a country play a big role in deciding on a market's revenue potential. Online companies have to make sure that their offering is matching the needs of the part of the population that is actually using the Internet – younger people. CompanyX's strategy to target young people can be one of the reasons that they have succeeded in markets where Internet usage is not yet well spread.

In Ukraine the target market is a bit older, thirties or late twenties, since that is when they first have enough money to spend on travelling. This affects CompanyX since this group is more likely to search for tickets at CompanyX but then go and pay at the offline travel agencies with cash. Factors like these are important to find out before entering a market in order to know how the business model will work.

Trends of the particular industry the online company is acting in are also interesting to look at. For CompanyX this is travelling trends. The Eastern European countries are a few years behind the rest of Europe in the sense that people does not travel as much and in a different way. In Russia an affecting factor is the lacking knowledge of English that affects the travelling trends on this market. Although it seems like the Eastern European countries are not the best

choice for CompanyX, the company has been able to grow in these markets, even though it has not been at the same rate as in the rest of Europe. CompanyX has chosen to enter these five markets discussed because they see potential in the long run, therefor it can be concluded that when looking at cultural factors it is important not only to analyse the present situation but also where the country is headed. This might be especially important for online companies where young people should be targeted due to having a higher probability of using the Internet, these young people will in the future be the majority of the market as they grow older.

After the demographics of a market have determined the market segments, the cultural variances in these segments have to be understood in order to be able to fulfil the needs of the customers as well as reaching them. One example of this is in Russia where the target population does not watch TV and any effort of marketing there will be lost resources. In knowing what the market wants and where users can be reached a company can save a lot of time and money on excessive marketing. For an online company this might be a challenge when not having a presence on the market, but it is important to in some way acquire that knowledge.

A social factor that online companies in particular have to deal with is distrust, and this has been seen in all the five markets examined. The level of distrust varies from country to country and on the Eastern European markets the distrust for online companies and online payment is high. This means that CompanyX has to build trust for the users to use their services but also to buy tickets online from the OTAs. One way of doing this has been to add a description on the webpage that explains more of what CompanyX is, that the webpage is safe to use, and that their partners can be trusted.

Trust is also an issue in the other part of the business model – the suppliers. In Russia, and the other investigated markets, suppliers can be hard to trust. Not trusting the suppliers can be a big problem for an online company not being present on the market since trust is hard to build from across borders. Suppliers perceiving CompanyX as distant and absent in the country might be more likely to deceive them. This has affected CompanyX in the way that they try harder to show their presence on these markets and to put some demands on suppliers to show them that they will not tolerate any wrong doings. The pricing model is also stricter for these markets to make it harder for the suppliers to deceive CompanyX.

Having a centralized office in Europe has meant increased distrust from suppliers and users of the website. This has probably been the biggest problem with this setup but CompanyX has been able to get past this obstacle by hiring people with local connections that can build trust on the different markets. This alternative demands fewer resources than setting up an office in every new market like CompetitorA, but sometimes it can be discussed if it is saving enough resources to be worth the loss of trust and cultural awareness. This will be further discussed in *5.2.1 Cultural Distance.*

An additional obstacle that CompanyX is trying to deal with is how to handle multiple language speaking countries with just one website. This problem can be solved with a programming solution but it is a cultural factor that online companies have to consider before entering one of these countries. CompanyX has chosen not to enter markets of this kind yet because they want to have a working solution in place first, in order to not damage their reputation.

5.1.4 TECHNOLOGICAL FACTORS

The technological factors are of importance to online companies since the spread of computers, smartphones and so on is crucial for the penetration of Internet usage.

In some parts of the world Internet is still not available to everyone and a market entry there would not be as profitable. Deciding to invest in a market where the revenues are expected to be low is a trade-off for getting good opportunities to win market shares for the future. Internet is constantly growing, which means an investment would pay off sooner or later. The time prospect is uncertain, since the market needs to change in customer behaviour as well. The question is whether an online company is able to wait for profit or not.

A CompanyX website is not fully working until deals have been made with suppliers. For countries where suppliers do not have API technology, setting up the webpage can take months. It is still possible to include these players, but again it is a question of time spent. It is not a problem for all suppliers since many partners are international which means they already have been contracted from before. Another risk is if suppliers have a less advanced website and are not able to handle the amount of traffic that CompanyX directs. An IT team being ready to support this is probably the best solution to overcome the problem.

Countries where not everyone has a credit card may be seen as a disadvantage as well. In the case of CompanyX there is nothing to do to get around the problem since they are not the ones who charge for a purchase. Currently credit card charges are the general mode of payment and in places where this is not fully utilized, again, it is a matter of patience before technology catches up.

5.1.5 PEST FINDINGS

The PEST analysis brings up several important aspects when evaluating new market characteristics. Social and political/legal factors can be viewed as the most important aspects to consider. The social factors are plenty but possible to prevent or adapt to while the political/legal factors are out of the company's control. Distrust, as a social element, is possible to overcome by building relationships, and by differentiating the offer slightly it is possible to meet culture differences. The political situation is less important when not entering a country physically, but regulations can still hinder an online actor. This together with the issue of obtaining a domain is truly affecting a market introduction negatively. A country's economical situation matters when it comes to potential of a market, but the minor investments required make it possible to achieve profit even in places where the economical situation is weak. Technology wise, Internet is the most obvious necessity, but Internet access for the population is in many parts of the world just a question of time.

5.2 NEW MARKET DISTANCES

5.2.1 CULTURAL DISTANCE

The distance between markets in culture can be of different nature. As can be read in section *3.2.2 CAGE – New Market Distances* some of these differences can be in language, ethnicity, religion and social norms. For CompanyX, when taking the decision to enter the Eastern European markets, there were several cultural differences from the Western Europe to have in mind. Although, after entering first Russia and then Romania a lot was learned that later would make some of the distance to Turkey, Ukraine and Poland smaller.

The first distance to discuss is language. Several countries speaking the same language can be an enabling factor when wanting to enter a new market. CompanyX thinks that this is the case for English speaking countries where there was no need to re-translate the website. For the entering of the Ukrainian market

similar benefits could be taken advantage of the Russian CompanyX page since the languages spoken are similar and the translation was fairly easy.

For the countries where no one at CompanyX was speaking the language some issues with translating the webpage has occurred in the past. In Russia people are very language sensitive and when the webpage was first translated it was not good enough for the target group and had to be re-translated later on for better results in visitors becoming users. Partly because of these language issues, a person from each country CompanyX are planning to enter are hired to, amongst other things, translate the webpage properly.

Cultural distance can also be to understand customer behaviour and needs for the target group. In CompanyX's case this was an issue at first in Russia where they from the beginning put resources into marketing in the form of TV commercials. This later turned out to be wasted money as the target group in Russia never watches TV, and it also endangered CompanyX's reputation as young and hip since TV is not considered to be so. For companies in general it is important to know the cultural difference of customer behaviour once entering a new market to refrain from making expensive mistakes.

Cultural distance can in general generate distrust amongst the market towards the company. When a company tries to enter a new market without having a physical presence, trust can be an issue. This issue will be of different severity depending on the cultural distance. For example, a Scandinavian company opening a business in Sweden, without opening offices there, would not generate any distrust since the two countries are similar in culture as well as other aspects. For other Western European countries the same results can be expected since a Scandinavian country is considered trustworthy. Although, as the cultural distance grows larger to the new markets in focus the distrust for a Scandinavian company grows due to dissociation in-between them. CompanyX themselves thinks that it is impressive to be successful in Russia as a Western European company with no local office in Russia.

This distrust can as mentioned affect both potential partners and users. To overcome this CompanyX has taken on the strategy to have someone local hired at the head quarters that handles the contact with the market and also visits the market frequently to show CompanyX's presence.

After entering Russia, CompanyX felt that the cultural distance to enter another Eastern European country had shrunk. This goes in line with what Johnsson et al. (2008) describes in the CAGE framework. Once a company has entered a specific market, other markets similar to this particular market become an easier target due to gained knowledge in culture as well as the three other factors. For CompanyX the culture in the Eastern European countries showed to be the biggest issue so once having some knowledge about it they were temped to try other similar markets. Similarly Ukraine was entered as it has a lot in common with Russia and the effort put in was not as big as it would have been if CompanyX had not been present on the Russian market.

For China the cultural distance has proven to be a big obstacle. Firstly, the design of the webpage has not been accepted there since black means something bad in their culture and in China webpages have more information everywhere on the page. Little things like this can have a big effect on the entry of a market with large cultural distance and it is important to know this for companies that want to become global.

There is also a large distance in managerial culture in China, which affects CompanyX's contact with Chinese suppliers. Dealing with these suppliers requires different actions than with suppliers in Europe. Managerial culture distance is also a problem if CompanyX chooses to have an agency in China. It will be difficult to communicate their core strategy to these people, both due to language problems and their different way of making business.

Cultural distance between countries has thus affected CompanyX's structure of employees. Hiring the right person is however not always easy since they have to be willing to live in the capital city where the head quarter is situated. For a decentralized company the issue is not to hire local people in the country, but rather to keep them all on the same track even though being spread out around the world. CompanyX found this hard in for example Russia and decided that the centralized structure was to prefer.

Lately though, it has been argued that maybe for some markets, such as China, the cultural difference is just too big to allow for a centralized structure. In those cases it is being discussed if maybe a local office would be to prefer.

As CompanyX themselves expressed it, all comes down to the culture aspect. Knowing a culture and how to handle it is key to success on a new market for an

online service provider. The physical presence on the market is not necessary as long as that trust can be built and cultural knowledge can be acquired. The larger the cultural distance is – the more information about a new market and its characteristics is needed.

5.2.2 ADMINISTRATIVE DISTANCE

Included in administrative distance are country differences that may rise in terms of weak institutions and corruption, closed economies, lack of colonial ties, and lack of trading blocks. None of the mentioned has been further investigated because these are considered to have little or no importance for online companies like CompanyX that do not have to physically enter a market in order to open a website there. Therefor in none of the five target markets this has been a problematic factor.

A hostile political situation could affect an Internet business' entrance. In some parts of the world the web is controlled and not all actors are allowed, which makes some markets less compelling than others. Regulations and political order that differ from the domestic market may mean more work. In the EU, countries share laws and the member countries are alike in this sense. In CompanyX's and the travel industry's case, Europe enables travelling and offers a market crowded of actors, a preferable condition for a travel metasearch engine.

5.2.3 GEOGRAPHICAL DISTANCE

The physical distance has turned out to be an obstacle for CompanyX when partnering with new suppliers. Metasearch engines are a new concept to many suppliers and CompanyX is often met with scepticism. If CompanyX tries to create new relationships by phone, it is easy for the respondent to reject them and hang up or not answer at all. In order to win trust and educate potential partners face-to-face contact is essential. Physical meetings are more rare when there is a significant geographical distance. Valuable contact and long-term relations may get lost unless extra effort is allocated on this matter.

If the geographical distance also means a great difference in time zones, contact with suppliers is even more complicated. It means that there are few hours when offices are reachable and this of course hamper the establishment of a website and the building of partnerships. On the other hand, maintaining a centralized structure of an organization eases internal operations.

The geographic size of a country does not have to affect the attractiveness of that particular market. What matters are Internet and 3G availability. These features are more likely to exist when the population is concentrated in cities instead of being spread out. It is therefore possible that countries with a higher degree of urbanization are to prefer.

As the world has become more globalized, distances have shrunk. Even new, smaller ventures seek to internationalise early and it is not impossible to do so. The phenomenon is called Born Global, see section *3.1.4 Born Global Firm*s, and it explains how growing internationally is rather a necessity than expanding from a saturated market. The step to go abroad for an online company does initially not have to mean more than acquiring a domain. This means the geographical distance in its original sense has lost many managerial difficulties (i.e. logistics, foreign investments, organization structure, and so forth) that offline companies struggle with daily. The geographical distances have especially decreased in importance for service providers who have no goods to transport. Another question to ask is what internationalisation in cyber space actually means. Can we divide the web and the world map equally? For the case of CompanyX, where Ukrainian users entered the Russian website and the English domains would be an alternative for almost anyone, this can be discussed. From this aspect, country boarders have lost in importance. Perhaps the world needs to be viewed differently, and language wise could be one option.

5.2.4 ECONOMICAL DISTANCE

The economical distance can be the difference in different market's wealth, in which case it is important to understand so that customer needs and behaviour are defined properly. It can also be the difference in cost or quality of natural resources, financial resources and banks, human resources, and infrastructure. The latter is to be considered when planning on establishing local offices, manufacturing or logistics for the company since important factors then can be labour costs, loan availabilities, and cost of material or material logistics from other markets. In the case of an online service provider none of these are necessary for setting up business on a new market, which makes these economical distances less important. Although, if a local agency is to be established, some of these economical factors have to be taken into account.

The difference left to consider for online service providers is market wealth. A company only acting on well-developed and wealthy markets has an economic distance to consider if deciding to enter a developing country. For CompanyX the

economical factors of a market affect the user's behaviour and tendency to travel, where they can be found, and their likelihood to pay with credit card. All of this also affects the suppliers' situation and CompanyX has seen that in the Eastern European countries the main driver for OTAs is still price.

In many cases the product offerings that a company has on a developed market do not have the same success amongst the consumers on a developing market. For CompanyX this has not been an issue. The same service has been proven to work in both Western and Eastern European countries. One explanation for this might be that the analysed markets are actually developing into stronger economies and as they become more alike the Western European countries they have a demand for the same services. The target market characteristics for CompanyX are basically the same for all their markets and therefor the same service offering can be used. The only issue they have faced in the Eastern European countries is that this target market is not yet as big part of the population as in the rest of Europe, but this is changing. This has been the case for all the five target markets.

The economic distances in Europe have not proven to be a problem to CompanyX, but in the future other developing markets with greater economic gaps from Europe (such as African countries) the service might have to be adapted according to their economic situation.

5.2.5 CAGE FINDINGS

The geographical distance has showed to be of less importance for online service providers since regular geographical borders have been diminished in the online service industry and new borders have come into awareness such as language and culture. Further administrative distance has also showed to be of less importance for a service provider with a centralized organisational structure, since offices and similar are not opened on the new market. On the other hand the analysis has showed that the cultural difference is an aspect to have in mind. Knowing the culture of a new market is crucial in order to know how to handle it and already being present on a market with similar culture makes this easier. Differences in managerial culture are also important to considered, as for example for CompanyX when dealing with suppliers. Suppliers are also affected by economic factors and the distance is this is therefor also to be considered.

The analysis based on the CAGE framework has shown that distances between a company's present markets and new ones add additional information to the evaluation of a new market, as could be expected. The different factors discussed

in the analysis of new market characteristics could become more or less important for success depending on if a market with similar characteristics is already entered. For example this was the case with the Ukrainian market entry since CompanyX was already present on the Russian market that has a lot of similarities.

5.3 NEW MARKET STRATEGIES

As described in section *3.1.3 Internationalisation Modes* there are five entry modes for a company going abroad (indirect export, direct export, licensing, joint venture, direct investment, and a global web strategy). None of these modes fully describe the situation of CompanyX. A global web strategy would be the closest description, but since it is a vague definition this area ought to be examined further. According to Jain (2000) in section *3.2.3 Three Cs – New Market Strategies* a good marketing strategy should be characterized by a clear market definition where the corporate strengths meet the demands of the market and the company's performance is superior to the competition's in the chosen field of business. Once deciding on what market to enter and defining its characteristics a strategy needs to be made that is balancing the *company's offerings*, the *customer needs* and the *competition*.

5.3.1 CUSTOMER

In defining where to compete on the market a definition of the target market needs to be made. For CompanyX this has been basically the same and relatively precise for all markets, which is part of their strategy. The target group for CompanyX is what they call users, which is not actually paying customers but they are nevertheless the focus of CompanyX's strategy since they generate revenue from the suppliers by using the CompanyX service.

CompanyX's target group is defined as educated, young people (about 25-35 years old) that has an online presence. For those not choosing to buy their tickets online, it might be a matter of distrust. For some, the personal interaction is an important element too, which cannot be offered online. At the same time CompanyX is targeting the younger generations where finding the lowest price is prioritized, which is an incentive to go online for tickets. Although in some countries the younger population cannot afford to fly at all and for these markets CompanyX has to reconsider. An example of this is in Ukraine were CompanyX has decided to target an older audience to better meet the situation there.

For most new markets both users and suppliers have to be educated in what a metasearch is. This is an important aspect for the developing countries while a smaller problem in the more mature markets for metasearches, but still something that needs to be done in both cases.

It is interesting to consider the powerful position of a customer to an online company. This is extra clear when there is an acquisition involved, and the customer has no need to show loyalty to the seller. In the point of purchase very little can be done to affect the customer's choice of who to select as a provider of a product or service.

5.3.2 COMPETITION

Competition always exists on CompanyX's different markets, however it varies in appearance. The maturity of the markets mirrors whether the competitors are of the same character as CompanyX or if the offline travel agencies are still dominant. The users' behaviour and knowledge decides who and what represent the competition. Take the example of Germany, a fully developed country that in many aspects resembles the Nordics, yet a great part of the population still chooses traditional offline travel agencies over online alternatives. As the online market increases in a country, competition grows and it is important to be prepared for the mass-market. For those who break the traditional patterns it is also an opportunity to affect and change the market standards.

As discussed in section *3.2.3 Three Cs – New Market Strategies* competition does not always have to be considered a drawback. Existing direct competitors could signify that the market welcomes the concept of metasearches (or any other type of business). If a competitor is doing well on a market it indicates that the market in question has potential, knowing this reduces the risk of the entry. This is also a way of letting someone else handle the preparatory work in educating all the different players. As well as being the first-mover, it can be advantageous to arrive later and be a fast follower. For online companies in general that are introducing a new business model in their industry a fast follower approach might be an advantage, especially in developing countries, since a lot of education is needed for the market. In most of the countries that CompanyX has entered, CompetitorA were there before them. Even though this competitor got first-mover advantages, CompetitorA also has had to introduce the concept to the market in order to get the website running.

A company has to evaluate whether first-mover advantages are desirable or not. Benefits like brand recognition and top-of-mind effects are always of interest. However, depending on the market situation being the pioneer is more or less important. Entering a mature market with a tough competitive situation, being the first-mover has greater impact than entering an immature market. In less developed markets a follower is given fairly good opportunities too. Additionally, it is not always being first that gives a company a good position in a market, it is how the opportunity is managed. A website has to create awareness amongst the users in order to be discovered and gain the market shares. The successfulness depends on different aspects, as earlier described in *3.1.2 First-mover Advantages*. In the case of CompanyX the service is not unique since metasearch competitors exist, this indicates that it is less likely to receive great first-mover advantages. At the same time, being first, differentiating the offer, and being the best actor in the market, increases the likelihood of being successful as a first-mover. These aspects indicate why a company like CompanyX should have a more offensive internationalisation approach since they approach a younger audience and emphasize an accurate search result in a user friendly and most appreciated way. What speaks against a first-mover strategy for metasearches and CompanyX is the fact that it is easy for users to switch among the providers and use other websites in the search of the best flight. This especially applies for the mature markets where many actors fight about the users.

For new mature markets, where there are many metasearches and the competition is fierce, the different marketing activities and differentiation become central. Booking flights is not an everyday activity, which implies that for a company like CompanyX it is of importance to be top-of-mind for the target users. Brand recognition, supplier coverage, and presenting the website and content correctly are important factors. For markets with almost too fierce competition, like the USA, there might be a need for bigger investments and CompanyX has been considering opening an agency in the USA to be able to grow and win market shares from competitors.

Looking at competitors could be a part of a company's internationalisation strategy. By mapping competitors and finding gaps of markets not yet entered, it could be an idea to try to understand why some markets are chosen and why others are not. It is possible that clear connections could be found.

Getting large market shares is important in order to gain credibility. Being a big actor can create the perception of also being the best player on the market and

thereby the go-to choice. For rapidly growing companies, with a born global character, it is easy to grow in number of markets, however the maintenance of each market is as important as being the pioneer. In a rapid pace, a company does not always have the resources to cover its operations sufficiently. To be able to grow in market presence and create a sustainable growth, a company has to grow internally too. A sustainable growth also means securing the position on core markets.

CompanyX's website is constructed by talented developers, and it is therefore not a service that anyone can copy. This becomes a threshold for potential new entrants. However, the content of the website is visible to anyone, which means that all new features or improvements are shared with any player willing to imitate CompanyX. Depending on how advanced the coding of the website is, the number of threats varies.

5.3.3 CORPORATION

The corporation represents the internal operations and key features of the company and its offerings. It is important to know what the company's core competencies and competitive advantage are to be able to match this with customer needs and competition. Further, in order to adapt the service to customers in different markets, one has to understand the user's mind-set. Categorizing CompanyX into a business model according to *3.1.6 Online Business* is not completely straightforward. It can be noted that CompanyX is a service provider in the sense that they deliver a service when a visitor makes a search. Further more, the business model, just like the classification portals and search engines, deliver traffic and has found a way of capitalizing this. Likewise, CompanyX is being a service provider to its partners by selling wanted traffic.

CompanyX's reasons for entering foreign markets are identified as being market and competitive drivers, previously clarified in *3.1.1 Purpose of Internationalisation*. There is a need of CompanyX's offer in most parts of the world and their marketing activities are transferable across boarders, which means expanding market wise will bring further value to the company. Competitive drivers are explained by the market situation, where main competitors like CompetitorA and CompetitorB constantly grows globally forcing CompanyX to do the same.

As previous discussed, CompanyX can be defined as a born global company, since going global has become a part of their strategy. They decided to

internationalise at an early stage for two reasons; growing in size by market diversification, and improving the product by a larger coverage of suppliers in new markets.

Due to not changing the characteristics of the target group for new markets the product itself does not need to be modified much either. For some of the less developed (and less mature) markets some alterations have been made where information has been added to the webpage in order to educate the user regarding metasearches.

CompanyX has in general chosen to not adapt their service for every market. They believe their differentiated product is the reason they have had success so far. Their key feature, the design of the webpage, has proven to be popular over many different markets. Their cool and hip approach has differentiated them from other travel metasearches. Adapting the websites to the different markets would also be a question of resources. Thus, they do believe that Europe is quite homogeneous and maybe in the future if expanding to a very different market some changes might be necessary.

Although, CompanyX has tried to differentiate the webpage a little bit further towards some markets with inspirational searches that are customized for the specific country and what kind of places people from that country most likely would like to travel to. This is a good example of how to better fit the service with the customer demand.

What potentially could hurt an online actor would be opening a website that is incomplete or inaccurate. Even minor errors give an unserious impression, something that is not desired in a market where trust already is an issue. Having the website set, means having a good product. This has been shown to be important in the service offering for CompanyX. They have found they need to have a finished website with suppliers in place before starting to marketing themselves on a new market. To further eliminate distrust for the webpage, CompanyX has found it important to only have suppliers that they find trustworthy. A part in this is for the supplier to give CompanyX the whole price for a certain ticket so that CompanyX can be sure that they are not giving false information to their users.

One last important factor for the company is to plan the market entry so that it coincides with a season or specific event that will help in people finding the

marketing interesting and compelling, and thereby create more users at an early stage. Advertisement can be expensive, especially if directed to mass-market, and it is valuable to make sure people will be interested in what is communicated.

5.3.4 FINDINGS THREE CS

Jain (2000) means that together the Three Cs will help the company in answering the following three questions as to how to formulate their market strategy:

1. *Where* to compete?
2. *How* to compete?
3. *When* to compete?

After taking new market character characteristics and new market distances into consideration it can be concluded that an online service company has to define a target market and create marketing activities to reach the target group accordingly. It is also important to make sure to have a service that is ready to use before marketing it, educate the market if the service is a new concept, differentiate the service and website so that it is top-of-mind for the targeted user group, ensure that the webpage is trustworthy, start marketing at an advantageous point of time, and establish a brand.

For CompanyX in particular, the following steps are important for a new market strategy:

1. Analyse the target market to see their needs and where to reach them.
2. Educate suppliers and later users in metasearches.
3. Set up the website with a proper translation and trustworthy suppliers before starting to market the service.
4. Make sure that the design and content of the website keeps CompanyX differentiated from competitors to be top-of-mind for the target group.
5. Plan the market entry so that marketing of the service can start at an advantageous point of time.

6 RESULTS

The results are presented in the three areas New Market Characteristics, New Market Distances, and New Market Strategies. General results apply for all online service providers and some additional findings are specific for CompanyX.

6.1 NEW MARKET CHARACTERISTICS

6.1.1 GENERAL

A country's political situation can influence consumer behaviour and some markets are more turbulent than others. If a market has strong political views a website's content must be carefully handled in order to stay politically neutral, as in the case of the Ukrainian market. Obtaining the company domain is crucial and should be on top of the action plan once deciding to go abroad. Even domains that alike the original may be relevant to own, in order to protect the intellectual property.

For online service providers, whose business model depends on a transaction or consumption, economical factors do matter. The GDP per capita could be an indicator when analysing potential markets, but should not be a sole decision maker. Large populations are also a probable factor behind revenue streams, bringing greater amount of traffic due to higher Internet usage in total. Less developed countries are also interesting since some of them are growing and more people obtain higher disposable incomes at the same time as the opportunities of establishing a good position on the market increases. For CompanyX this is for example the case in Russia where they can grow with the market.

Understanding customer behaviour, trends, and other cultural factors, is important when selecting a new market to enter. Internet coverage differs in countries, and therefore markets with a high degree of urbanisation is to prefer in order to reach users, this could be seen for CompanyX in Turkey where a high urbanisation has enabled higher internet usage. A returning cultural problem is distrust, as a new actor one has to put effort into winning users' confidence, especially when there is money involved. For those service companies that need to enter into partnerships with suppliers, one can expect scepticism too. Further, when finding new partners it is important to beware of questionable suppliers to avoid damaging the service and the users' trust. In multiple linguistic countries the company needs to have a solution for presenting their offer to all inhabitants. The analysis showed that there are many aspects implying that cultural factors are significant when

evaluating a market, due to them being constantly recurring throughout the analysis.

Internet and computer access for users is of course fundamental for an online service company, and this will continue to increase all over the world. Internet habits and trust go hand-in-hand with the maturity of the market regarding Internet access. For not entirely mature markets in this aspect it is important to be prepared to support partners when technical challenges arise. Another technical issue is that in some countries not every person has a credit card, which affects online purchasing.

6.1.2 SPECIFIC FOR COMPANYX

Within Europe there is no need for visas, which enhances the travel industry, and the difficulty and cost to obtain a visa varies in different parts of the world. These regulations are important to be familiar with when choosing a new country to enter.

For CompanyX, who targets a young crowd, it could be of interest to look at demographics when considering new locations. Education and English skills have had a positive effect of buyers in some areas.

6.2 NEW MARKET DISTANCES

6.2.1 GENERAL

It is important to underpin the importance of acquiring cultural knowledge. To get this expertise, a company can open up offices on the specific market (like CompetitorA mostly do), or employ staff (like CompanyX). Both alternatives have advantages and disadvantages. For example, physical presence is an advantage for CompetitorA while CompanyX has the advantage of working more as one company where employees can learn from each other and thereby acquire important knowledge. For partner relationships, it is valuable to recognise the cultures where personal interaction matters and the physical distance is a problem. Some cultural distances are shorter and some are longer. Certain distances, like connections from previous internationalisation, could be an easier step than learning a new culture once more. Crossing boarders in some cases mean smaller risks than moving across continents, as longer distances require more information. For a market where the company already has a translated website in the same

language elsewhere, it is easy to open up quickly. Lingual differences are a crucial factor for new international market entries.

A long political distance from what the company already is used to can be expected to interfere in some way or another and is therefor an important aspect. A company from a country such as for example Sweden has to be aware of the risks of entering a market such as China where the rules are completely different and the political situation is tense. Destructively regulated markets might be difficult to enter if the company does not have any experience in this from existing markets.

It is important to be aware of the problems that occur when operating in different time zones. Geographical distance has decreased in importance as the world has become more globalized, especially for online businesses. To look beyond the traditional world picture, when considering strategic moves for an online service provider, is significant. A new way to see the world could be for example though lingual or cultural borders. To seize internal competences and go in other directions than the most obvious ones, can be just as rewarding. CompanyX can be considered as an example of this as they instead of expanding to another country in Europe has chosen to this year enter the Brazilian market.

For a company with experience in similar and rather wealthy economies the distance to move into a less developed country can be a difficult challenge. It is necessary to work harder for the activity to the website that is needed. The economical factors are important for the outcome of a new market, but it is essential to believe in the developing economies too and have a good insight in where the economies are heading. If a company is to open a local site in the new market, there is an increase in economical factors that matter.

6.2.2 SPECIFIC FOR COMPANYX

Some parts of the world are of more strategic value to CompanyX than others due to busier air traffic and more travellers. This also diminishes the distances between markets where the same airlines or OTAs operates since the contract made with a specific airline/OTA in one of these markets, can just be extended to include the new market. This makes the process of finding partners easier and faster.

6.3 NEW MARKET STRATEGIES

6.3.1 GENERAL

In defining where to compete on the market a definition of the target market needs to be made. This definition will then assist the company in understanding the customer needs and characteristics, which will help in adapting and marketing the service. For developing markets the target group might need to be educated in the online service business model, which is an important characteristic to know when creating the marketing strategy.

Further, it is important to know that competition on a market is not always a bad thing. Fierce competition can indicate potential on a market and for a new business model the first-mover might have to assign resources to educate the market, which makes it easier for a fast follower to enter. This applies more to developing countries where Internet usage is not as high as in developed countries and different Internet business models therefor not are as well known. For mature markets with fierce competition, differentiation of the service is key to success and is needed for the service to be the top-of-mind for users. Gaining market shares from competitors is important to gain credibility and the penetration of a market is as important as the entering of it. Additionally, fast market growth has to include internal growth in order to be sustainable.

For the organization itself, it is important to know your competitive advantage and make sure this is sustained and matched with customer needs. In CompanyX's case this is represented by their innovative and fun website and their high quality search results that are adapted for the different markets and updated continuously to keep accurate. Adapting the service to match the different target markets while still maintaining core competencies is strategically desirable. The online service with all its features should be completed before the company starts to market it towards users in order to limit distrust and disappointment. Further distrust should be eliminated by making sure that the content of the website is correct and accurate. Lastly, the timing of the entry can be of importance since it can create extra traffic if made at the right point in time.

To sum up, for an online service provider the important parts of a new market strategy will be to define a target market and make sure that the right marketing activities are used to reach them, make sure to have a service that is ready to use before marketing it, educate potential partners if the service is a new concept, differentiate the service and website so that it is top-of-mind for the targeted user

group, ensure that the webpage is trustworthy, and start marketing at an advantageous point of time.

6.3.2 SPECIFIC FOR COMPANYX

Because of CompanyX's strategy to target similar groups of people over different markets the definition of a target market becomes easier and the important thing for them is instead to establish where these users can be found and what their preferences are. The CompanyX service does not have to be changed for each market either because of this, which saves resources. But even though holding on to the same target group can be an advantage, there might be a possibility of success with other target groups that CompanyX looses.

Some markets are completely new to the concept of a metasearch and in those cases it is important that CompanyX strives to educate everyone involved. Most possible markets for CompanyX have already been entered by CompetitorA, which might have been an advantage since some of them are already educated in metasearches, but it has also been a disadvantage due to CompetitorA's widely spread brand recognition. Although, due to how easy it is for users to switch between metasearches' websites, and that some users are even using several at the same time to then compare the results given, to be a first mover is not that big of an advantage, especially since CompanyX's target group are not afraid of trying new stuff. Being a fast-follower has more advantages in this area since the market then is more ready for the new concept.

CompanyX has chosen to not adapt their service remarkably for different markets since their already differentiated product is what they see as their key for success. This has turned out to be a correct assumption so far. For the service it is important to make sure that partners supply the correct information to CompanyX in order to not develop distrust amongst users.

7 DISCUSSION & CONCLUSIONS

This chapter discusses the validity and delimitations of the results and what conclusions can be drawn.

The purpose of the project was to identify factors that could affect a foreign market entry for online service providers. The results are presenting several important factors regarding internationalisation, both for online service providers in general and for the examined company in particular. Therefore it can be determined that the purpose is reached.

More over, in this report it was tested whether it was possible to use existing models (i.e. PEST, CAGE, and Three Cs) for market analysis of online service providers. The analysis model that was constructed can be assumed to have covered most parts of the field of internationalisations. The method turned out to work well and there were numerous findings. However, it is not possible to say that it is the best way for this type of investigation, since no other alternative ways have been tried out. The models and frameworks chosen for this report are typically used for offline companies but are constructed for being used in general. No existing models for online service providers in specific, that are dealing with the subject of market entries, were found during the literature study, which indicates a need for it and that justifies the subject of this study.

In reflection of the chosen models, it can be noticed that the least interesting variable was *Administrative Distance* in the CAGE model, which did not result in any valuable factors for a new market entry in this instance. The most significant was the *Cultural Distance* from the same framework where many different valuable factors were revealed. Aspects discussed in section *5.1.3. Social Factors* were sometimes overlapped in section *5.2.1. Cultural Distance*. All in all, most parts of the chosen models and frameworks proved to bring valuable insights as to what is important in a new market entry for an online service provider and it is also believed to have covered all the factors that could affect a market entry for CompanyX.

Although, it should be mentioned that the factors presented in the results probably do not cover all the aspects of internationalisation for online service companies. This is due to the study only examining one company and one business model in depth. The general results given should be applicable to most online service providers, but the fact that some results are specific for CompanyX indicates that

online service providers with different business models should expect other specific factors to be of importance to them.

Including additional online service providers in the study would also have contributed in the way that the results could have been evaluated relative to each other. This would have added a dimension to the study as some results could have been pinned as crucial and of more importance than others. At the same time, there is an absence in terminology and categorisation when it comes to Internet business models and frameworks. Throughout this project the writers refer to what they call *online service providers*. What really defines an online service provider remains unclear throughout the study and is something that would have been interesting to investigate in a more precise manner. Online service provider is clearly a term that needs to be broken down for a better understanding of the field of study.

Further, the selection of markets that has been examined in depth can have been a limiting factor for the results since the five markets are not as different from each other as could have been preferred for a more general result. Firstly, the five markets all being found in Europe is limiting the insights gathered from new market distances. The five countries can also be considered to be developing (or recently developed) markets, which means that the study might lack aspects that are of importance when entering a well-developed country. Although, during interviews with CompanyX insights regarding other markets than the target market where gathered. This has contributed to the width of the study, given a more nuanced analysis, and has supported the general results.

In the analysis only the website aspect of online services has been dealt with. An analysis of smartphone applications and similar aspects of online services could have given additional insights.

The results found did perhaps not provide any radical insights regarding market entries, but rather an in-depth analysed summary of market entry operations and the reasons behind them. Through this it can be concluded that the knowledge of important factors for success on a new market will help online service providers, CompanyX in particular, to better formulate strategies for market entries and penetrations. Analysing CompanyX's procedures, it has been noted that the employees are aware of many of these factors but nothing is generally acknowledged. To compile these insights has given a knowledge base that can be valuable to both CompanyX and other online service providers.

This is a time when everything happens faster and faster. The expansion of some companies is not an exception. It can be questioned if it is worth the time with reconsideration and reflections of making a decision. If you hesitate and postpone action it is most likely someone else makes the move instead. To not enter a new market online is probably a greater loss than doing so with a minor success, especially with a business model like CompanyX's. This study in many aspects underpins the importance of market research. However, this is time consuming and sometimes experience is the only true way of learning. More over, intuition is often a strong decision maker and does not have to be a poor tool.

The study shows that what matters most in a market entry is actually the knowledge the company obtains before the market entry is started. To know how the customers and suppliers behave is valuable and will enable an easier entry and more revenue.

The entry process itself can be somewhat standardized if knowledge of how to connect with suppliers and customers has been gained on beforehand.

8 FUTURE STUDIES

The final chapter of this study presents different possible future studies for a further analysis of the treated area.

To further penetrate the area of internationalisation for online service providers the following areas would be interesting to examine in more depth:

- Mapping the competition for metasearches in the travelling industry for different markets would give an additional interesting dimension in evaluating the potential and attractiveness of a market.

- Defining different types of online service providers and their characteristics in order to get a better understanding of the very different business models that exist and how that affects a market entry.

- Performing several additional case studies of online service providers would build a base for defining a new entry mode that in general would describe how internationalisation for these companies is conducted.

- To further evaluate difference online service provider industries the framework of Porter's Five Forces could be used. In this way a specific industry, for example travel metasearches, could be further investigated as to how attractive it is to enter for new player. This would bring further insights as to how different online service providers operate in the global market place.

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APPENDIX A

Interview guide for Marketing Managers at CompanyX.
6-11th of March 2014

Date:

Place:

Company:

Interviewers:

Interviewees:

Contact information interviewee:

Field of study:

Purpose:

The purpose of this interview is to investigate CompanyX's entry on the market in order to compare this process with other market entries within the company as well as a similar company's market entries.
This will hopefully result in conclusions regarding what is important for online service providers in the case of internationalisation.

The interview will be focused around the process on the entry rather than the reasons behind the decision to do so.

Clarify the different concepts to be used in the interview: user, consumer, customer and supplier.

Clarify what is meant with market entry and market introduction. (From market analysis → fully established)

General

1. Describe your position, and what you do?

2. How long have you worked at X?

3. What made you interested in working in this industry/area?

4. What is your background? How much experience in market entries do you have?

5. *If many:* Did you experience a lot of similarities or differences between the processes?

Questions regarding a certain market

(If interviewee deals with several markets, interviewee should choose one example to discuss further)

6. How big is the market?

(7. Why was this market chosen to enter?)

(8. How much was done before deciding to enter this market? Time?)

9. How mature was the market when entering it? How big is it now?

10. What was the competition on the market?

11. How has the market changed since your entry?

12. What risks were identified with the market?

13. What was the political/economic/legal/cultural/infrastructure situation on the market?

The procedure

(14. What was the first thing you did after deciding to enter the market?)

(15. What was the planned time frame for the market entry (decision $\rightarrow$ established)?)

(16. How many people were involved in the different parts?)

Tells us about the process of the market expansion and how you experienced it by these four categories:

Market analysis

(17. How did you conduct a market analysis?)

Setting up webpage

(18. How long after deciding to enter the market was the webpage set up (with or without suppliers)?)

(19. How much resources did this take?)

Getting suppliers

20. How did you find suppliers?

21. How did you get in contact with the suppliers?

22. How fast did the suppliers decide to get on board?

23. What was the hardest part about getting suppliers?

Pricing model chosen

24.1 How was a pricing model chosen?

24.2 What was the factors influencing this decision?

Marketing

(25. Was a marketing plan made?)

(26. If yes: what did it include? What was the time frame?)

Post Market Entry Analysis

(27. Did company X communicate a market introduction strategy to follow for the market entry?)

(28. If yes: Did you follow this? Why/why not?)

(29. What in the market introduction strategy worked well and what was less successful?)

30. What did you find was most important aspect when entering the market?

31. What do you whish you would have known before starting the project?

32. What could have been done differently for a better outcome?

33. What was the hardest thing to predict?

34. What was most time consuming?

35. Did anything go wrong?

36. The problems you had, were they market specific or general?

37. What in the procedure could not have been used for another market?

38. When targeting the market is there any difference on whom you target in the beginning of the entry and later on in the process? *Crossing the chasm*

General about X

39. What market entries would you say were successful?

40. What markets meant the most problems in entering? Why?

41. Could this have been prevented?

42. How do you think your industry affects the market entry process?

43. Being a service provider, do you think about how to adapt the service for the new market in order to better meet the needs of different market cultures? Or is it one size fits all?

44. Is there any other information you feel would be of interest for this study?

APPENDIX B

Interview guide for Head of Markets at CompanyX.
11th of March 2014

Date:

Place:

Company:

Interviewers:

Interviewees:

Contact information interviewee:

Field of study:

Purpose:

The purpose of this interview is to investigate CompanyX's different market entries more in general as additional information to more market specific interviews.
The purpose of the interviews is to compare the market entries within the company as well as a similar company's market entries.
This will hopefully result in conclusions regarding what is important for online service providers in the case of internationalisation.

Interviewers introduces:

Clarify the different concepts to be used in the interview: user, consumer, customer and supplier.

Clarify what is meant with market entry and market introduction. (From market analysis → fully established)

General

1. Describe your position, and what you do?

2. How long have you worked at CompanyX?

Certain market questions

For each of the focus markets the following questions will be asked:

The market

3. Why was this market chosen to enter?

4. How much was done before deciding to enter this market? Time?

The procedure

5. What was the first thing you did after deciding to enter the market?

6. What was the planned time frame for the market entry (decision → established)?

7. How many people were involved in the different parts?

Tells us about the process of the market expansion by these three categories:

Market analysis

8. How did you conduct a market analysis?

Setting up webpage

9. How long after deciding to enter the market was the webpage set up (with or without suppliers)?

10. How much resources did this take?

Marketing

11. Was a marketing plan made?

12. If yes: what did it include? What was the time frame?

Post market entry analysis

13. Did CompanyX communicate a market introduction strategy to follow for the market entry?

14. If yes: Was this followed? Why/why not?

15. What in the market introduction strategy worked well and what was less successful?

General questions about CompanyX

16. What market entries would you say were successful?

17. What markets meant the most problems in entering? Why?

18. Could this have been prevented?

19. How do you think your industry affects the market entry process?

20. Being a service provider, do you think about how to adapt the service for the new market in order to better meet the needs of different market cultures? Or is it one size fits all?

21. Is there any other information you feel would be of interest for this study?