Benefits of using offline & online methods in the internationalization process - A study of e-commerce companies in Sweden

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Abstract

Technical advances have made it possible for small enterprises to go international already at inception since the internet has made the internationalization process cost-effective. With the existence of the offline and online arena, the companies have to consider how they allocate their resources between these fields; not allocating resources to offline methods can save money, but could reduce adaptation to the new market which can lead to reduced firm performance. However, overspending on offline methods can be costly and could jeopardize the financial stability of the company. Although this is noted by previous research, little is still known about how companies balance the resources between online and offline presence. Especially when it comes to e-commerce companies and how the benefits of online and offline presence are balanced by this type of firms in their expansion into foreign markets. This is also what is meant to be explored in this paper.

The data has been collected through semi-structured interviews with seven Swedish e-commerce companies that have internationalized their operations in an active way. The results show that online and offline benefits can be divided into four categories, namely local knowledge, local connection, promotion and services. These categories could in turn bring benefits to the company that are either substitutable, non-substitutable or complementary. The findings indicate that firms could balance their resources in online and offline presence in order to gain benefits that cannot be found in the counterparts of each presence. This could be of interest for entrepreneurs and managers that plan to engage in internationalization within e-commerce.
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1. Introduction

In the 1980s the globalization of the world accelerated, and rapid and early internationalization among firms could be observed (Cavusgil & Knight, 2015). This development could be explained by technical advancements such as the internet, which made it possible for persons with international experience to do business almost anywhere in the world (Oviatt & McDougall, 1994). The internet has provided exporters with new possibilities of approaching foreign markets, and made it more efficient to handle inquiries and orders from customers on an international scale (Sinkovics, Sinkovics & Jean 2013). The development of the internet has restructured how e-commerce works, as a new tool for internationalization, networking and marketing, but also as a sales channel (Fischer & Reuber, 2011). With the existence of the offline and online arena in which companies can sell their products and promote their brands, they carefully need to consider how they devote their resources in both fields. Finding the right harmony between online and offline resource allocation is referred to as the online-offline balance (Wentrup, 2016).

There has already been done substantial amounts of research on how technological advancements and the internet have affected SMEs (small and medium-sized enterprises). Oviatt and McDougall (1994) observed that the internet made the internationalization process more cost efficient, and that new ventures could go international already at inception. Yamin and Sinkovics (2006) discovered the virtuality trap, which refers to firms in the internationalization process refusing to engage in market research about the host market due to the assumption of possessing sufficient knowledge. Yamin and Sinkovics (2006) further elaborated on the topic of psychic distance, which they related to online internationalization. Psychic distance are the factors obstruct the flow of information from and to the home country (Johanson & Vahlne, 1977).

Even though there is knowledge about the topic of online internationalization, there is a significant gap in the existing literature, especially when it comes to the online-offline balance in the internationalization process of e-commerce companies. Wentrup (2016) defined the online-offline balance as the relative importance of those dimensions at any time during the process of internationalization. A pure online presence means being active only in a digital way and a pure offline presence means the use of physical resources only. According to Wentrup (2016), finding the right balance is a challenge; not allocating resources to offline methods will save money, but
could reduce adaptation to the new market. Overspending on offline methods can be costly and could jeopardize the financial stability of the company. Research on the balance between an online and offline presence has been conducted but only with regard to the online internationalization process of online services providers (OSPs), specifically based in the Swedish market (Wentrup, 2016). The research done by Gabrielsson and Gabrielsson (2011) concluded that internet sales channels are more common among B2C-oriented firms than B2B-oriented firms, but they exclusively looked into different online sales channels and did not take the online-offline balance into account.

Previous findings about internet-related firms indicate that the research is still immature (Wentrup, 2016), and the empirical and theoretical work on the viability of the internet as a channel to internationalization, in combination with the benefits of offline methods has occurred only on a minor scale. Thus questions concerning internet sales channels and internet as alternative to physical presence still requires further research (Sinkovics, et al., 2013). Therefore, the research regarding the virtuality trap and the psychic distance related to the online-offline balance in the internationalization process of e-commerce companies, can be further elaborated. There has been found little research about the benefits of online and offline methods and how this is balanced within the internationalization process of e-commerce companies. The purpose of this paper is therefore to explore how e-commerce companies balance the benefits of online and offline methods in their internationalization process. The research question of this thesis is:

*How do Swedish e-commerce companies balance the benefits of online and offline methods in their internationalization process?*

This paper will contribute to previous research by examining how e-commerce companies which sell physical products use the online-offline balance in the internationalization-process and which benefits they gain by using those methods. There has been conducted previous research on the topic of online-offline balance but that was focused on OSPs, and not on web shops selling physical products. The authors add to existing research by filling the gap how Swedish e-commerce companies (selling physical products) balance the benefits of online and offline methods and how they apply those in their internationalization process.
This is a relevant and important topic because the e-commerce industry is an industry that is growing rapidly. Statistics show that the total sales in retail e-commerce were 1.915 billion dollars in 2016 and that it has increased by 43% from 2014 to 2016, and is expected to grow with 11% until 2020 (Statista.com, 2017). In addition, for e-commerce companies that engage in the internationalization process, it is relevant to find the right balance between their online and offline activities. Failing to apply resources towards offline methods in a correct and dynamic way in a market with a high psychic distance, might save financial resources in the short term but could jeopardize the company’s adaptation to the local market in the long term (Wentrup, 2016).

To answer the research question, there has been conducted semi structured interviews with Swedish e-commerce companies that while engaging in the internationalization process have devoted resources to both online and offline methods. Each interview lasted between 50-90 minutes and were mostly done via Skype and phone.

The results indicate that there are several benefits with both online and offline methods in online internationalization, that cannot be substituted by the opposite method. One of the most important is that certain offline presences helps the company to look like a local actor in the market, which helps the company to gain customer trust, which in turn can increase firm performance. As for benefits of online methods, the findings indicate that the possibility to promote directly to potential customers through AdWords and influencers, and the ability to collect detailed data about customers, seems to be important for the sample firms. Further, the findings indicate that the internationalization process of Swedish e-commerce companies do not differ that much from that of Swedish OSPs.

This thesis will take off with a section about the theory and knowledge that is already existing about e-commerce, the online and offline balance and online internationalization. The second section of the thesis presents the methods section which explains in detail how the authors conducted this study. After the methods section, the findings will be presented about balancing the benefits of online and offline methods in the internationalization process. The final part of the thesis covers the discussion and the conclusion based on the interviews and the data that has been collected.
2. Theory

This section starts by introducing the fundamental concept of psychic distance and the newer term virtuality trap. The psychic distance is the foundation on which the traditional stage models such as the Uppsala model (UM) rests upon, which is described next. After that the phenomenon of Born Globals (BG), which has lately received a lot of attention, will be looked upon. Next, e-commerce and how it can be beneficial for a company to use, will be viewed. Finally, the concept of the online-offline balance, which is a rather new concept, will be discussed.

According to the research of Guillén (2002), online internationalization can take up two different contexts; digitalized products or services, and products and services that are not digitalized. The first one refers to the total value chain that can be created online. The second one only refers to a small part of the value chain that is taking place online, such as after-sales service. In this thesis online internationalization refers to products that are not digitalized and thus only to the part of the value chain that is online.

Arenius, Sasi and Gabrielsson (2005) found that using the internet as a tool to internationalization is an easy way to reach out into the world, and therefore can reduce the liability of foreignness (LOF), i.e. costs the firm obtain in a foreign market that the local firms would not obtain, and resource scarcity, which is the resource availability and the uncertainty of getting access to these resources which leads to a resource-conserving behavior. This is also supported by Gabrielsson and Gabrielsson (2011) who noted that using multiple internet sales channels can help to overcome the LOF. Other studies suggest that there is a link between export intensity and successfully using the internet for BGs that have multiple internet sales channels (Morgan-Thomas & Bridgewater, 2004; Samiee, 1998). Internet allows firms to reach across geographical distances in a cost-effective way and thus access both a domestic and a global market. Therefore, the internet has great potential when it comes to entering foreign markets (Wentrup, 2016).

2.1 Psychic distance and the virtuality trap

One of the most common constructs used within the research of the internationalization process of multinational enterprises (MNE) is the term psychic distance (Dikova, 2009). Initially, the term has been given attention to by Johanson and Vahlne (1977) who defined the term as the sum of
factors, such as language, culture, business practices and so forth, that prevent information to flow into and out of the market. The psychic distance is also the reason for the incremental steps in in the UM (Johanson & Vahlne, 1977). The term was later broadened by Vahlne and Nordström (1993), who summarized psychic distance as factors that prevent a company’s ability to learn and understand the environment in host countries. However, O’Grady and Lane (1996) noticed a positive relationship between psychic distance and firm performance, thus suggesting the existence of a psychic distance paradox (PDP). The main argument about the PDP is that there are companies which are aware of their lack of knowledge about the new market. These companies know that their previous experience is not sufficient for entering the new market. Due to this awareness the companies put more effort into familiarizing themselves with, and learning about the new market, thereby increasing the chances of a successful entry (O’Grady & Lane, 1996). Such a possibility could also present in the case of online internationalization.

Arenius, et al., (2005) imply that the internet can make it easier for start-ups to internationalize since it provides an easy way to reach out into the world and also that companies do not have to have actual physical contact with the customer in the same extent as if internet were not used (Arenius, et al., 2005). This is supported by Chen (2006) who found that online companies tend to enter foreign countries with relatively high growth in the online market, with no regard to psychic distance. However, these findings were made before Yamin and Sinkovics (2006) wrote about the virtuality trap. When a firm engages in online internationalization, it could lead to the assumption that the firm has sufficient and relevant knowledge about the entered market, therefore refusing to engage in market research about the host market. Thereby confirming the existence of, and thus falling into the virtuality trap (Yamin & Sinkovics, 2006). Yamin and Sinkovics (2006) used a slightly different definition of psychic distance than that used by Johanson and Vahlne (1977), and Vahlne and Nordström (1993). Instead of factors preventing information flow and learning, Yamin and Sinkovics define psychic distance as a general uncertainty about the foreign market, originating from a perception of existing differences between home and foreign markets. Further, a distinction between default and active online internationalization (AOI) was made. Whereas the default online internationalization is made through a non-country specific website, AOI refers to the use of websites that is specifically created to enter a certain foreign market. Furthermore, AOI seems to incorporate the local culture, language and other local content, which can improve the effectiveness of the country specific website (Yamin & Sinkovics, 2006)
Sinkovics, et al., (2013) found that BG firms that rely too much on internet as alternative to a physical presence are more likely to fall into vitality trap and the ability to gain insight from local customers and the learnings from the specific host market context reduces. The firm is trying to utilize internet as a tool that replaces the physical presence, which is harmful to their export performance. Furthermore, Sinkovics, et al., (2013) study shows that in addition, traditional export marketing channels such as agents and distributors can avoid the threat of disintermediation by increasing their value-added services, for example by acting as filters to help exporters internalize knowledge effectively. In terms of the antecedents of online internationalization, this study does not find support for the perception that using the internet as a tool to reduce export barriers is positively related to using it as an alternative to a physical presence.

2.2 The Uppsala Model

Johanson and Vahlne (1997) created a model of the internationalization process of firms, based on knowledge development and foreign market commitment. Although several similar models were developed during that time, Johansson and Vahlne (1977) model became one of the most cited and has later been named as the UM (Wentrup, 2016). The UM suggests that Swedish firms take incremental steps in their internationalization process rather than just commit all resources to one point in time, and that the order of market entries over time seems to be related to the psychic distance (Johansson & Vahlne, 1977). This model is based on that knowledge can be divided into objective knowledge and experiential experience, whereas the objective part is knowledge that can be taught, and the other experiential knowledge can only be learned through personal experience (Penrose, 1966, p. 53). The authors believe that experiential knowledge is important in companies and is critical since it cannot be taught like objective knowledge (Johanson & Vahlne, 1977). In the domestic market, organizations, companies and individuals can rely on the experiences that has been gathered throughout a lifetime. However, when entering foreign markets there is no experiential knowledge to rest decisions upon, therefore it must be gained gradually through the operations in the market (Johanson & Vahlne, 1977). Patterns in the internationalization process of firms could be observed, generally firm first received orders from the foreign market, then they sold through agents followed by own sales subsidiaries and lastly production was located to the local market.
However, the business environment, as well the research about international marketing, has changed since 1977, therefore Johanson and Vahlne (2009) introduced the revised UM (RUM) which emphasizes the importance of networks. Especially being inside the right network since this gives the opportunity to build commitment and trust, and offer the possibility to learn (Johanson & Vahlne, 2009). If a firm that lack access to relevant network positions in a market and try to enter this market, the firm will be an outsider. Consequently, it will suffer from both the LOF and the liability of outsidership (LOO). The LOF could make it harder for firms to become an insider in a network, which makes it hard to develop a business since a substantial part of firms trust and commitment building, and learning, comes from relationships (Johanson & Vahlne, 2009).

2.3 Born Globals

One problem with the traditional stage models such as the UM, was that at this time internationalization was mainly associated with larger firms and could therefore not properly describe the phenomenon of international new ventures. Among the first to describe international new ventures i.e. BGs, was Oviatt and McDougall (1994, p. 49) who defined this type of companies as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries”. These new ventures are separated from other start-ups in the way that they have committed substantial amounts of resources in more than one country. By using means of technology and communication, the BGs can more easily find and exploit business opportunities in a cost-effective way, thus the technological development has enabled them to compete with larger multinational firms on an international level. Therefore, BGs can skip the incremental steps described by traditional stage models such as the UM. Consequently, Oviatt and Mcdougall (1994) argue that the traditional stage models cannot be properly applied to the internationalization process of BGs.

Over the years, further research has been added to the BG-literature, and with that more definitions as well. This depends partly on that the research has taken place in different countries with different business climate and cultures (Gabrielsson, Kirpalania, Dimitratos, Solberg & Zucchella, 2008). The size of the country can have effect as well, Knight and Cavusgil (1996) defined a BG as having 25% of their sales in export no later than 3 years after inception. This was a reasonable definition for the US since it is a large country with a strong domestic market, which gives less need for
exporting. However, firms operating in smaller countries with weaker domestic markets could easily match and overcome this definition since they have a tendency to follow global niche strategies. Thus firms could qualify as BGs even though their foreign sales only come from one neighboring country. Therefore, Knight and Cavusgil (1996) definition do not give an accurate picture of the phenomenon in small countries and in Europe since the spread of companies that could be defined as BGs would be too wide (Kuivalainen, Sundqvist & Servais, 2007).

Other researcher has gone further in the definitions, stating that a certain amount of the sales must be done outside the continent of origin, however the time period seems to remain around 3 years (Luostarinen & Gabrielsson, 2006; Servais, Madsen & Rasmussen, 2007). Gabrielsson, et al. (2008) chose to define BGs as companies that have products with the potential for global markets, and can combine this with entrepreneurial ability in order to find ways to accelerate the internationalization process. Moreover, the firm must have had a global vision already at the start-up, and have the same risks as a small start-up and carry these alone, i.e. not be a subsidiary of a larger firm. However, the authors use flexibility when it comes to the time period since there are situations where the export process can take longer than 3 years to complete even though the firm have had an international vision from inception. Although, one thing that later research, after Oviatt and MCDougall (1994), has in common is that they do not include the phrasing multiple countries in their definitions. One reason for this is that it is not well-known if BGs fare better from exposing themselves to several markets at once rather than just focus on one market (Kuivalainen, et al., 2007). Because of that, some researchers distinguish between BGs and international new ventures (Cavusgil & Knight, 2015).

Gabrielsson, et al. (2008) created a phase model, based on previous research, for the development of BGs which includes three stages of evolution: (1) Introductory phase, rapid internationalization. (2) Growth accompanied with the accumulation of resources. (3) Break-out, the BG turns into a normal multinational enterprise. They found that changes in resource development, channels and networks, organizational learning and risks occur as the BGs advance through the phases and these changes can affect the process. Moreover, they found that the global vision of the founder at inception are one of the key factors that drive when a BG engage in export. Four specific types of channels and networks were also mentioned: (1) Global customers and MNEs that is used as system integrators, (2) distribution or licensing of the BGs products through MNEs, (3) Network of
business associates and helpful firms, and (4) the internet (Gabrielsson, et al., 2008). Networks and channels can help BGs to achieve rapid and early internationalization since networking can give access to markets, financing, distribution channels and key contacts and referrals, the same is also true for the internet (Cavusgil & Knight, 2015).

However, Wentrup (2016) directs critique toward the BG theory since it does not separate between manufacturing firms and knowledge intense or high-tech firms, which makes it complicated to identify distinct characteristics of various types of firms that are in the internationalization process. The fact that the theory lacks a distinct and commonly used definition of BG- firms further adds complexity to the situation since a substantial number of firms with global ambitions have the potential to be described as BGs (Wentrup, 2016).

Moreover, Wentrup’s (2016) findings also suggest that Swedish OSPs use the domestic market to try out their operations and as a stepping stone towards internationalization, which is in line with the UM. However, once the OSPs decide to globalize they do this with a controlled mode of entry and are motivated by first-mover advantages. This reminds more about the BG theory. At the same time, the OSPs limit themselves geographically to regional expansion by repeatedly balancing the amount of resources that is used in their online (e.g. a website in the market) and offline (e.g. staff onsite) presence in the new foreign market, and they tend to choose markets with a short psychic distance. This also reminds of the UM. From this reasoning the author concludes that the firms in the study could not be defined as BGs and that the UM could not entirely apply to the results. It seemed more like that the two theories could explain different parts of the OSPs internationalization process (Wentrup, 2016). However, Kuivalainen, et al., (2007) found that BGs can be divided into two types of BGs: true BGs which operates in distant markets and apparently BGs that which follow more traditional strategies and operates in markets that are culturally closer to the domestic market. Thus it seems like BGs can have traits that remind of the traditional stage models.

2.4 E-commerce

One of the most important aspects that companies use the internet for is to expand into other countries through electronic commerce (e-commerce). E-commerce is defined as “the sharing of business information, maintaining business relationships and conducting business transactions by means of telecommunications networks” (Zwass, 1996, p 3). Furthermore, e-commerce is working
as a new tool for internationalization, networking and marketing since it allows companies to reach geographically distant potential stakeholders that would not be possible to reach in traditional commerce in a cost-effective way (Reuber & Fischer, 2011; Arenius, et al., 2005; Moen, Gavlen & Endresen, 2008).

On such stakeholder is consumers, e-commerce enables the companies to offer products or services to vast numbers of consumers every hour of the day because e-commerce is not bound to time and distance (Schniederjans & Cao, 2002; Gunasekaran, Marri, McGaughey & Nebhwani, 2002). Furthermore, it is also shown that e-commerce allows firms to better communicate with their customers since computers make it easier to interact with customers (Ramanathan, Ramanathan & Hsiao, 2012). Online interactivity has several benefits, for instance that the flow of information is bidirectional which makes it mutually controllable, the internet is always open so there is less time issues, and responsive. (Varadarajan & Yadav, 2002) Other devices do not have the same benefits as internet, for example, telephone communication requires that the interaction is made at a specific point in time and the contacted person needs to answer in order to receive the information. While online interaction, such as emails, gives the contacted person the ability to respond or not, and to do so at his or her choosing (Leamer & Storper, 2001). With the rapid growth of technology, the level of online interactive increases (Varadarajan & Yadav, 2002).

Improved interactivity means that e-commerce is well suited to develop a relationship with customers (Chaffey, Ellis-Chadwick, Mayer & Johnston, 2009). A firm can reach customers in several countries through e-commerce since launching a website gives instant access to multiple foreign markets (Kotha, Rindova & Rothaermel, 2001). If a firm creates a website it becomes international, whether the firm planned to or not. Small firms seem to use websites as an advertising and marketing platform, however the website could also work as an instrument of foreign market entry, which may not be planned. This can lead to unintended orders from foreign countries even though the intentions that the firm had with website was something else (Lituchy & Rail, 2000).
2.5 Online- Offline Balance

Although previous research notes that entirely replacing a physical market presence with an online presence can have a negative effect in the firm, the discussion about the use of a mixed online-offline presence has received only little attention. A closer investigation of the interaction of online and offline presence was, as previously stated, introduced by Wentrup (2016), who examined how Swedish OSPs internationalized in terms of three key elements in the field of internationalization, speed, geography, and mode of entry, and how a balance between online and offline presence forms in the process of internationalization. In theory, a pure offline presence means that the company only has physical resources, such as staff, deployed in the market. Likewise, a pure online presence indicates a digital presence only, for instance a web shop. The online-offline balance basically rests upon the relative amount of resources committed to each of the two types of presences. The resources invested in online and offline presence can vary over time and therefore the balance can shift during the internationalization process. This is also suggested by the findings which propose that OSPs first invest resources in online presence, followed by gradual intensification of resources committed to the offline presence (Wentrup, 2016). This is also in line with Sinkovics et al (2013) findings about multiple channel strategies.

Gabrielsson and Gabrielsson (2011) examined what kinds of internet-based sales channel strategies that is available for BGs and what factors that affect the choice of these alternatives. Two main strategies were identified through previous research (Frazier, 1999): direct sales channels, where BGs sell direct to the end customers through online interaction, and indirect sales channels where the BGs sell through intermediaries in the foreign market. In that sense, indirect sales channels can offer both online and offline presence since intermediaries can choose traditional sales channels, whereas direct online sales channels cannot. These two strategies can be used in combination with each other, thus two multiple sales channel strategies emerge: Dual sales channels where direct and indirect channels are used parallel, and hybrid channels where the functions of the channel are shared by the producer and the intermediary, thus integrating their activities. A substantial part of the surveyed firms used multiple sales channels, which was a surprising finding since it was expected that the need for intermediaries would diminish with the use of the internet (Gabrielsson & Gabrielsson, 2011). This stands in contrast to the internet's impact as suggested by Hamill (1997), who stated that the importance of traditional intermediaries will be reduced. Instead,
Gabrielsson and Gabrielsson (2011) implies that it is important for BGs, when using internet sales channels, to use local channels and MNCs when building relationships and networks, especially when not using intermediaries. Reasoning behind this is that relationships and networks gives BGs credibility from the customer’s perspective and also that it makes it easier to gain market access (Gabrielsson & Gabrielsson, 2011). This is somewhat supported by Moen, et al., (2004) who found that firms initially rely on partners from their networks when initiating their first international expansion, and that this first expansion generally is directed towards a psychically close market. However, later decisions on market expansions relied less on psychic distance. One reason for this is that the internet helps firms to expand their networks faster which in turn helps reducing psychic distance (Moen et al. 2004).

Sinkovics et al. (2013) discovered that an online sales strategy has a positive relation to the export results of a company. However, entirely replacing entering a physical market with an online strategy, for instance opening only a web shop instead both of a physical store and a web shop, does not lead to better export results (Sinkovics et al., 2013; Morgan-Thomas & Bridgewater, 2004). This conclusion confirms the research done by Jean (2007) that only implementing online resources does not add to a company’s competitive advantage. Therefore, it is suggested that within the field of exporting, companies not only should rely on the internet as sales channel, but they should add additional services complementary to the sales channel such as for instance delivery support. By replacing agents with an online sales channel, the personal contact with the customers in the foreign country will diminish which will, in return, affect the company performance (Jean, 2007). Online interaction is often missing the ability to create true understanding. Neither face-to-face communication is able to generate 100% accurate understanding but mostly in a better way than when communication occurs in an online manner (Leamer & Storper, 2001). According to the research of Yamin & Sinkovics (2006) in order to reduce the chances of falling into the virtuality trap, placing an agent in the host country will be beneficial. The reason behind this is that the agent will lower the perceived psychic distance and therefore logically lower the reliance on communication via a virtual manner.

Previous research has shown that internet can be a cost-effective way for firms to go international. However, some studies suggest that entirely replacing offline presence with online presence can have negative effects on company performance since the firm can miss important experiential
knowledge about the target market. Yet, other studies have shown that firms pay little attention to
the psychic distance when choosing the next market to expand to. Although, the virtuality trap is a
fairly new topic since it was described in 2006. This means that older research might not have taken
this into account in their research even though psychic distance has been known for a long time. In
general, the different effects of online and offline presence have been discussed by previous
research but little importance have been placed to how firms balance online and offline presence
except for Wentrup (2006) and the benefits of each of these presences.
3. Methodology

3.1 Research Design

The topic of this paper touches upon data that is difficult to measure and is not necessarily reflected in a company’s financial statement, press releases, or other publicly available information. For instance, if a company successfully uses a country manager to familiarize itself with the foreign market, it might show as increased revenue in the target country. However, there is no possibility for an outsider to know that the increase in revenue is an effect of using a country manager, unless it is clearly stated in such a way that it is publicly available. Likewise, effects of using online and offline means do not necessarily have to show as increased costs or revenue in the income statement but could contribute in another way. For instance, the benefits could be increased knowledge about the target country and customer behavior. This kind of data is difficult to collect and process.

The two major methods of conducting a research design is qualitative and quantitative. Due to the scope of the research, a qualitative approach to the research was deemed appropriate. The qualitative method is more suited for research questions that asks how and why. This makes the qualitative research investigate the different perspectives from the questions (Yin, 2011, p. 3-4). Often picked up from words that usually are collected from interviews or observations.

The authors choose to do the research qualitative to get different perspective from different cases in online and offline internationalization. Where quantitative research would have provided static data, qualitative research would provide more detailed and rich data. Qualitative research allowed to have a looser design plan and would evolve the research more naturally towards the desired results (Saunders, Lewis & Thornhill, 2009, p. 482). Using a qualitative approach is also in line with previous research regarding online internationalization and psychic distance, which has mainly been conducted through a qualitative approach with a small data sample (Yamin & Sinkovics, 2006; Wentrup, 2016). Furthermore, the research took on an exploratory study since the goal is to find new insight, ask questions and assess phenomena in a new light (Robson 2002, p. 59).
3.2 Sample and Data Collection

The authors collected data by interviewing 7 individuals with leading positions within the e-commerce companies, that used online and offline methods in the internationalization process. Conducting these interviews will provide a better insight and understanding about the methods used in international expansion of e-commerce companies. The limited numbers of companies participating in the research and the limited timeframe narrows the geographic scope. Due to the small number of samples, it is necessary to narrow down the research and therefore an exploratory form is required (Saunders, et al., 2009, p. 140).

The sampling techniques which were used in this study is purposive, self-selection and snowball sampling. The authors used purposive sampling due to the few samples that are used. That enabled the authors to use judgment and select the cases that answered the research in the best way (Saunders, et al., 2009, p. 239). Furthermore, the self-selection occurred when the companies were contacted and asked to participate in the study. This implied that the selected company had an interest in participating in the research (Saunders, et al., 2009 p. 241). The snowball method is also applied in order to find interviews. After the interview, it has been asked if the interviewee knew any companies that fitted the profile of our samples. When a new interview has been arranged, also that person is asked to provide information about a new possible sample company. Snowball sampling is used when the purpose is exploratory and the individual cases are difficult and reach (Saunders, et al., 2009, p. 240).

3.2.1 Sample Selection

In order to make sure that the e-commerce companies were legitimate business, the web shops should be certified. A company that is certified makes it safer for the customer to buy from. To find certified e-commerce companies in Sweden, the website of Trygg E-Handel was used. The website has a list of all the Swedish e-commerce shops that have the certificate. Thereby, using this website as a jump board in order to find appropriate samples for the research. It made it easy to find e-commerce companies that are located in Sweden and act as international players. Whether they used offline methods in the international process could not be found on the website and therefore the companies had to be contacted individually. In order to find appropriate samples for the research, the following criteria were created:
The e-commerce company should act as a B2C company online.
  - B2C companies are required because B2B firms are more depended on local network and legal compliance. In addition, e-commerce companies that are B2C companies are more easily reached by distant markets via online marketplaces (Wentrup 2016).

The e-commerce company should sell products and not services.
  - The research by Wentrup (2016) focused on online companies selling a service, therefore this research will focus on online companies selling physical products.

The e-commerce company should have been pursuing AOI in at least one country.
  - The e-commerce company should have made a deliberate choice to actively sell its products in another country.

Through the Trygg E-Handel website, we investigated more than 500 Swedish web shops. In order to find out if the web shop was also active in other countries, the website was visited to see if there were any links or signs to a foreign web shop. In order to find as much complementary data about the e-commerce companies, data was gathered from Retriever. Retriever is a website that displays financial data about e-commerce companies. From all the e-commerce companies that were looked into, 170 companies had a match with the above mentioned criteria.

The initial contact procedure was as follows. It started by sending the e-commerce companies an email. If they did not respond after three emails they were contacted via the phone. In the emails and during the phone conversation the contact person was asked if they could confirm that the online company was active in other countries besides Sweden. As a follow up question it was asked if they used any offline methods in setting up and or running the company abroad. If they confirmed, it was asked if an interview through Skype or phone could be arranged. If the company was located in the Stockholm or Uppsala a face-to-face meeting was proposed. From the 170 companies that have been contacted, 40 answered via email, the residual companies have been contacted via phone. From those 170 companies, only 30 companies explained that they used offline methods in addition to online methods in the internationalization process. In hindsight, it is believed that more companies used offline methods but that not all the companies fully understood what was meant by offline methods, as became clear during the interview sessions. Most companies
used more offline methods than they initially thought. From those 30 companies, seven agreed on having an interview. The companies that declined to have an interview said that they did not have the time or simply were not interested.

### 3.2.2 Data Collection

The study focusses on Swedish companies that are AOI. In order to maintain a high quality of this research, it was necessary to conduct interviews with the person in the company that was most knowledgeable about the internationalization process and about the online and offline methods that have been used. The interviewees proved to be knowledgeable about the topics relevant to this research and were able to answer all the questions that were asked during the interview. If after the interview an answer remained unclear a follow up email was sent and the complete answer was provided by the person that was interviewed.

The interviews that have been conducted were semi-structured, in-depth and lasted between 50 and 90 minutes. The interviews have been conducted by phone, via Skype or face-to-face while being audio-recorded. Except one interview, all interviews have been conducted in the Swedish language in order to get the best and most elaborated answers to the questions. One interview has been conducted in English. During the interviews there was a list that could be followed, including 12 main questions and several sub questions, which can be found in appendix A. Since the companies were all different, it was important to be flexible during the interview, being able to adapt to unexpected answers and steering the interview in the right direction that provided the most suitable answers. In that way it was able to retrieve the most knowledge from the interviews, which is the main goal of the data collection (Saunders, et al., 2009).

### 3.3 Data Analysis

The interviews were transcribed and translated to a standard transcription conversation. In order to process the interview data, the transcriptions need to be readable and understandable. Therefore, the preverbal and nonverbal elements of the interview were removed. Furthermore, to analyses the data in a conductive way, each transcribed interview was first coded, and then analyzed separately with the secondary data from Retriever. By coding, the transcription is broken down and the quotes for the research have been found.
The coding of the interviews took place in several rounds. At first it was categorized into online benefits and offline benefits. By separating the statements of the interviewees into online and offline benefits they could systematically be divided into different types, which is the following round of coding. Consequently, by dividing the statements in online and offline benefits there could be found six different types of benefits for online methods (data collection, common payment methods, native tongue customer service, influencer, AdWords and advertising via social media) and six different types of benefits for offline methods (country managers, consultants, local store / shop, native tongue customer service, marketing and, local warehouse). The different types that were found were then divided into the four overall categories which are local knowledge, local connection, promotion and service. In table 1 and 2 the quotes and the rounds of coding are presented. In addition, a table which shortly displays the benefits which are related to the different types of online and offline methods is presented in the Findings section of this thesis. Derived from the offline and online methods it can be concluded if they are complementary, substitutable or non-substitutable and how the balance can be found between those benefits in the internationalization process. Further elaboration about the benefits and balance will be found in the Findings section.
<table>
<thead>
<tr>
<th>Offline Methods</th>
<th>Quotes</th>
<th>Type</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;At this point we have someone responsible for the local market, reporting to the marketing and sales manager, so I believe very much that this is the way to do it’’</td>
<td>Country Manager</td>
<td>Local Knowledge</td>
<td></td>
</tr>
<tr>
<td>&quot;She is responsible for the Danish marketing which means translating marketing campaign, and also handles the customer service for the Danish market’’</td>
<td>Consultant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;Then later in the story, we tried to test what we call a country manager’’</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;We used consultants from the foreign country, we had them while we entered the country, in about a year’’</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;So the answer is yes, we have used consultants and experts. Also when we use of course our logistics partners such as UPS we use their expertise as well”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;In the beginning it's good to have agents to understand and see which newspapers are the strongest and most relevant’’</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;Having a store adds to the visibility of the company, people who don’t know our website but see our store in the shopping street might later visit our website”.</td>
<td>Local store / shop</td>
<td>Local Connection</td>
<td></td>
</tr>
<tr>
<td>&quot;It is important to feel local and have a local call center and everything . . . I think people would be afraid if we were half in English’’.</td>
<td>Native tongue customer service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“The key here when it comes to internationalization is that you have to talk and write to the customer with the native tongue, otherwise you will just loose them”.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;The agent assisted us to find out which magazines are best known, and are best for our brand to use for advertising.’’</td>
<td>Marketing (TV, papers, radio, events)</td>
<td>Promotion</td>
<td></td>
</tr>
<tr>
<td>&quot;Before the to-flight we scored 6%, after the to-flight it was 14%”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“. . . They [the Danish] want delivery to their home and they want it in two days and they want free shipping and they want free return as well.’’</td>
<td>Local warehouse</td>
<td>Service</td>
<td></td>
</tr>
<tr>
<td>‘‘There are not many consumers who want to wait for three days to get the product. Maybe two days . . . that's OK. But it should not take 7 days”</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 2 - Coding order, online methods

<table>
<thead>
<tr>
<th>Online Methods</th>
<th>Quotes</th>
<th>Type</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>“Meanwhile online gives you straight facts, the person visiting has that status and history. You get a lot more online than offline”</td>
<td>Data collection</td>
<td>Local Knowledge</td>
</tr>
<tr>
<td></td>
<td>“When it comes too online, the advantageous is to look analytic to see which products sell best in the country”</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>“So you can pretty fast make a model . . . and work with it and this traffic control is the most interesting part to increase the sales”</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>“It is. . . how to solve payment, people like to pay differently in different countries . . .”</td>
<td>Common payment method</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“. . . we put a lot of work into finding local transporters and local payment options”</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>“’We need native tongue when it comes to customer service and text on the website’”</td>
<td>Native tongue customer service</td>
<td>Local Connection</td>
</tr>
<tr>
<td></td>
<td>“If they [the customers] write to us in Spanish, of course we try to solve it. Google translate usually helps pretty good, but you want the customer to leave with such a good experience as possible”</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>“I think that also from the beginning we already used bloggers and vloggers . . .”</td>
<td>Influencer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“. . . we use several bloggers and influencers to promote our products and our brands.”</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>“When it comes down to the United States, we have established good cooperation with some bloggers . . .”</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>“We mainly spent our money on AdWords. That is the primarily advertising channel that we invest in”</td>
<td>Adwords</td>
<td>Promotion</td>
</tr>
<tr>
<td></td>
<td>“That is where we spent most of our marketing money on, buying AdWords”</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>“It is all about that the majority of our customers are customers that buy our products via an AdWords”</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>“You can create trust when you handle negative comments on social media in a correct way. Trust is then build with other readers because the company shows its good intentions”</td>
<td>Marketing via Social Media</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“. . . It is about building something that they will assume is a serious company . . . on Instagram and we have half a million that follow us”</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>“. . . we do advertisement primarily through social media . . . These are the channels we will use the most, blogs and social media”</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.4 Research Quality

In research, the reliability and viability are connected. For research to be valuable and to serve any use, it needs to have a high reliability and high validity. Reliability means that a study can easily be repeated, whereas validity refers to credibility of the research that has been conducted. The qualitative research data has been collected via semi-structured and in-depth interviews. By using the semi-structured interview style, it is assumed that the observer error has been reduced to a minimum (Saunders, et al., 2009, p. 157). Prior to the research, the researchers were aware of their bias towards the research topic and the research question. By being aware of the bias, the observer bias has been lowered in order to produce more neutral results (Saunders, et al., 2009, p. 157). It is possible that, depending on where, what time and by whom the interviews have been conducted, the data can be influenced. Therefore, to reduce potential participant error, the interviewees could choose the means of being interviewed (phone, Skype or face-to-face) and the date and time that suited them best (Saunders, et al., 2009, p. 329). Due to the fact the that there is guaranteed full anonymity, it is assumed that it will reduce participant bias and produce more trustworthy results (Saunders, et al., 2009, p. 156). Due to the full anonymity it is harder to insert references as secondary data since it would imply giving up the company's name. As there is full anonymity guaranteed, it becomes a limitation that has to be tolerated. However, the credibility of the research gets stronger with the addition of the secondary data that has been collected through Retriever (Saunders, et al., 2009, p. 146). In addition to the measures taken above, to ensure the validity of the research all the decisions that have been made have been explained and elaborated as widely as possible to make sure to reduce the ambiguity (Saunders, et al., 2009, p. 309).

Due to the small sample size, the research generated too little results to produce a statistical generalization (Saunders, et al., 2009, p. 327). This concern has been stated in the research design part of this thesis. However, collecting data from e-commerce companies across different industries, a broader picture of results can be presented (Saunders, et al., 2009, p. 177). As a result, the purpose of this study is not to produce a statistical generalization. The purpose of this study is to explore and explain the research question, how to balance the benefits of offline & online methods in the internationalization process. This is the motivation of choosing the sampling
methods: purposive, self-selection, and snowball sampling. Therefore, the need to gather in depth information from the sample collection is crucial for achieving the goals of this study (Saunders, et al., 2009, p. 236). The study that has been conducted aims at e-commerce companies that have their origin in Sweden and expand their business to countries. The studies are thus focused on Swedish online companies and cannot be generalized for other countries.

The interviewees were native Swedes, therefore the interviews were held in the Swedish language to avoid translation errors and reducing the possibility of missing important information (Saunders, et al., 2009, p. 297). One of the interviews was conducted in the English since one of the interviewers is not a native Swede. The respondent had no problem using the English language and felt comfortable with it.

In the end, it is believed that the methods chosen for this research provide the best answers to the research question which is gaining a deeper understanding how to balance the benefits of offline and online methods in the internationalization process of Swedish e-commerce companies.
4. Results

This section will start with a brief description about the different companies participating in the study, see Table 3. After that, the coding order for the online and offline benefits are, structured in Table 4 and Table 5. Finally, an elaboration is given on the online and offline benefits supported by quotes from the interviews.

4.1 The Sample

The samples consist of seven e-commerce companies. Table 3 summarizes the secondary data of every company. The oldest company is D which was founded in 1959 and went online in 2005. Company G started with offline activities in 1990 but created a web shop in 2014. Therefore, the online inception of all the companies is between 2004 and 2014. However, it should be noted that since company D and G are old companies they may not be defined as true BGs but rather as apparently BGs, at least for the internet expansion. The expansion to another country occurred not so long after the initial online expansion for the samples companies. The online companies were divided into two businesses types, one that sold their own products and the other that acted as a retailer. All companies except three sold through retailers and three of the companies had their own stores. The numbers of countries the companies are practicing AOI varies. Company A is active in 13 foreign countries while company C is active in one foreign country. The revenue between the company’s ranges between 7 mSEK for company F and almost 197 mSEK for company D. Further, table 3 shows that all companies except company E and G have local websites that have been translated to the local language. Also, the positions of the interviewees within the company is shown. All of the interviewees are in top positions within the companies and they also have insight into the internationalization process of respective firm.
Table 3 - Company description

<table>
<thead>
<tr>
<th>Company</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of business</td>
<td>Branded consumer goods</td>
<td>Web retailer</td>
<td>Web retailer</td>
<td>Web retailer</td>
<td>Branded consumer goods</td>
<td>Branded consumer goods</td>
<td>Branded consumer goods</td>
</tr>
<tr>
<td>Wholesales</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Own store</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of countries AOI</td>
<td>13</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Local language in web pages</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Type of offline presence</td>
<td>Country managers, local customer service</td>
<td>Agent in Norway</td>
<td>Own store, agent, native speaking customer service</td>
<td>Agent, consults</td>
<td>Distributor</td>
<td>Partners within the countries</td>
<td>Distributor</td>
</tr>
<tr>
<td>Revenue (mSEK)</td>
<td>72.6</td>
<td>13.7</td>
<td>92</td>
<td>197.4</td>
<td>17.1</td>
<td>6.6 Sweden</td>
<td>77.5</td>
</tr>
<tr>
<td>Position interviewee</td>
<td>CEO</td>
<td>Director</td>
<td>CEO</td>
<td>CEO</td>
<td>Manager</td>
<td>Member of the Board</td>
<td>E-commerce &amp; marketing manager</td>
</tr>
</tbody>
</table>
4.2 Coding order offline methods

The offline coding order in table 4 is first displaying the different types of offline benefits that were found during the interviews. Within these different types, it was looked for specific benefits that fit with these different types. The offline benefits are then divided into four overall categories, consisting of local knowledge, local connection, promotion, and service. The table also displays if the offline method is complementary, substitutable or non-substitutable. Further elaboration about the offline benefits will be found in section 4.4 Offline Benefits.

There were found six different types of offline methods, consisting of, as the interviewees defined it: (1) Country manager, which is a person that is placed or hired in the foreign country and is responsible for the tasks in that country. (2) Consultant, an experienced professional providing knowledge in exchange for a fee. (3) Physical store, a pop up store or a retailer selling the company's products. (4) Native tongue customer service offline, a person that has the local language as a native tongue and can serve the customer face to face (in a store), or via phone or any other offline method. (5) Marketing offline, when a company is advertising using offline methods, for example to and newspapers. (6) Local warehouse, a place in the foreign country where goods are stored.
Table 4 - Coding order findings offline

<table>
<thead>
<tr>
<th>Type</th>
<th>Benefits</th>
<th>Category</th>
<th>Complementary, Substitutable, Non-Substitutable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country manager</td>
<td>Local eyes, ears and knowledge, runs the local section and can shares the risk</td>
<td>Local knowledge</td>
<td>Non-substitutable</td>
</tr>
<tr>
<td>Consultants</td>
<td>on-demand, pay when needed</td>
<td>Non-substitutable</td>
<td></td>
</tr>
<tr>
<td>Physical Store / Shop</td>
<td>Helps to establish a local connection, branding, visibility and sales both online and offline</td>
<td>Local connection</td>
<td>Complementary</td>
</tr>
<tr>
<td>Native tongue customer service</td>
<td>customers can see and feel the products, and talk to personnel in native tongue</td>
<td>Complementary</td>
<td></td>
</tr>
<tr>
<td>Marketing (TV, Papers, Radio, Events etc.)</td>
<td>Awareness and credibility.</td>
<td>Promotion</td>
<td>Substitutable</td>
</tr>
<tr>
<td>Local warehouses</td>
<td>Faster delivery to the customer, like local competitors</td>
<td>Service</td>
<td>Complementary</td>
</tr>
</tbody>
</table>

4.3 Coding order online methods

The online coding order in table 5, shows the different types of online benefits that were found during the interviews. Within these different types, it was looked for specific benefits that fit with these different types. The online benefits are then divided into three overall categories, consisting of is local knowledge, local connection, and service. The table also displays if the online method is complementary, substitutable or non-substitutable. Further elaboration about the offline benefits will be found in section 4.5 Online Benefits.

Six different types of online methods were identified, consisting of, as the interviewees defined it: (1) Influencers, such bloggers and vloggers. (2) Common payment method, a generally accepted payment method such as credit card, bank transfers and payment services such as Klarna and
PayPal. (3) AdWords, an online advertising method that allows companies to place an advertisement in a search engine. (4) Marketing via social media, advertising via online platforms such as Facebook, Instagram, Twitter. (5). Data collection online, online tools that help to gather information about customers, such as Google Analytics. (6) Native tongue customer service online, a person that can serve the customer through online tools such as an email or a chat and which speaks the native tongue.

Table 5 - Coding order findings online

<table>
<thead>
<tr>
<th>Type</th>
<th>Benefit</th>
<th>Category</th>
<th>Complementary, Substitutable, Non-Substitutable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Collection</td>
<td>Customer knowledge</td>
<td>Local knowledge</td>
<td>Substitutable</td>
</tr>
<tr>
<td>Common Payment method</td>
<td>Customers puts more trust into the payment method and the company</td>
<td>Local connection</td>
<td>Complementary</td>
</tr>
<tr>
<td>Native tongue customer service</td>
<td>Personnel that can speak with customers in native tongue</td>
<td></td>
<td>Complementary</td>
</tr>
<tr>
<td>Marketing via Social Media</td>
<td>Awareness &amp; credibility</td>
<td>Promotion</td>
<td>Substitutable</td>
</tr>
<tr>
<td>Influencer</td>
<td>Credibility, awareness, local view of products</td>
<td></td>
<td>Non-substitutable</td>
</tr>
<tr>
<td>AdWords</td>
<td>Reach customers that are interested in your type of products</td>
<td></td>
<td>Non-substitutable</td>
</tr>
</tbody>
</table>
4.4 Offline Benefits

After the interviews it was determined that offline benefits could be divided into four different categories. Firstly, offline benefits of local knowledge will be explained, secondly offline benefits of local connections will be explained. Thirdly, the benefits offline services will be touched upon and finally the benefits of offline promotion will be explored.

4.4.1 Offline Local Knowledge

After going over the results from the interviews, a strong cluster focused on the category of local knowledge within the offline benefits could be observed. Local knowledge consists of two parts, which are country managers and consultants. Both types are offline benefits which help the e-commerce company in its internationalization process. Almost all the interviewed companies find it important to gather local knowledge, whether it is about the local laws or the local habits and behaviors of the customers, is important when entering a new market or new country. The perceived benefit was that being, or acting, as a local company, shows the customer that the company has put effort into adaptation to the new market. Being a local company can create trust and trust makes customers visit your online store and buy products. Consequently, in order to be a local company, local knowledge is required. The research results showed that country managers and consultants are offline actors that create or deliver local knowledge about the market of the internationalizing firm.

4.4.2 Country Manager

Several of the sample companies used country managers, which are persons that acts as physical representatives and are in charge of the local market. As one interviewee states, “a country manager gives the company an extra pair of eyes, ears and hands in the country that you are trying to establish yourselves in, this is extremely useful”. Although not all companies used country managers, all except one were in the process of setting up the position or contemplating about the possibility.

Through the conducted interviews, the perceived benefits of an offline presence in the form of a country manager comes in the form of experiential knowledge about the local market. Such
experiential experience seems to be knowledge about local advertising methods and channels, and the local language. Especially the language seems important when it comes to translating websites and marketing campaigns. This is put into context by one interviewee:

“She [the country manager] is helping us with the language on the website. Even though we can talk and write English, when it comes to the detail, you realize you’re not that good as a native speaker . . . she corrected the whole website, selecting pictures and that kind of stuff”

One of the important benefits, outlined by the sample companies, of using or employing a country manager is the access to his or her network. Since the country manager has knowledge about the local market, which is often not present with the managers of the e-commerce company in the home country, arranging this and setting up things often goes faster and in a better way. As an interviewee explained during the data collection:

“I would definitely say that they know the network which is relevant. They know the PR agencies . . . the journalists . . . the magazines and where to be seen. So if I asked you where should I show our brand in Munich, . . . I mean I don’t know and I assume you don’t know either”

Even though the interviewees in general talked about country managers as employees, one company differed. Instead of having a country manager as an employee, this company created local partnerships where the country manager was a minority owner in the local firm. Although one could argue that this should be labeled something else than country manager, the purpose of the setup is the same as that of country managers as employees, namely getting access to local experiential knowledge. Therefore, this particular partnership is categorized as country manager. However, the benefits could differ slightly when compared to an employee since a minority owner shares the financial risk in the local market and have higher commitment since they share the profit of the company.

Country managers are considered as non-substitutable. A country manager allows companies to access experiential knowledge faster than if they would try to acquire the knowledge themselves. Further they act as a physical presence in the foreign market which will make the company look more local. Trying to act local is something that all sample companies try to do, since this will make customers trust the company more. Therefore, country managers are an important offline tool that cannot be substituted by an online method.
4.4.3 Consultants

In addition to the above mentioned country managers, the sample companies also proved to use consultants and consultancies as an offline method in their internationalization strategy. The sample companies that hired consultants pointed out distinctive benefits in the internationalization process. Even though the companies indicated that the use of consultants comes at a substantial cost, the benefits provided by the consultant outweighed the costs. The main benefit is that using consultants saves time since they have the specific knowledge that the firms are searching for, which helps to speed up the internationalization process. One interviewee puts it into context:

“But obviously, if we need to put time on things where we need to search 100 levels in order to find the answers, then it makes more sense to use some kind of consult agency that does that every day. Simply to speed up the launch and make sure that everything is correct”

The sample companies used consultants for a wide range of reasons, for example to help translate content in marketing campaigns and websites directed towards markets where there is no country manager present, to help the company setup logistics and other structural changes, and help the companies with payment solutions. As one interviewee puts it:

“We are working together with a company that is very good at establishing these processes when it comes to logistics. They know what are the rules and regulation in each market . . .”

Consultants possesses expertise knowledge within their specific area that can be hard for the firm to acquire on its own. Some of the knowledge could be of the objective type, which the companies could acquire themselves, for instance knowledge about local logistics, but this would require time that the firms lack. Other knowledge could be experiential, such as translating information in a way that it works in the market, which the firms have to experience in order to be able to learn, which in turn also will take time. Considering this, consultants can be seen as non-substitutional, at least for the experiential part of their knowledge, which cannot be acquired online. If the fact that firms can have time constraint also is taken into account, the objective knowledge of consultants could be seen as non-substitutional since there are hardly any other methods that companies can use to get access to this knowledge.
4.4.4 Offline Local Connection

One thing that all companies in the sample agreed on was the fact that it is important to try to look as a local actor in the foreign market. One way that the companies has tried to do so were by using customer service that speaks the local language. The companies had a firm belief that addressing the customer in the local language adds to the credibility and gives the customer the perception that the company is local, compared to if an English speaking customer service would have been used. As one interviewee said, “It is important to feel local and have a local call center and everything . . . I think people would be afraid if we were half in English”. The reason that the sample companies consider adaptation to the local language as one of the most important steps in their internationalization process, is the fact that using a local language creates trust. All but one of the companies, have an offline exposure of their products in either their pop-up stores or retail stores. However, these stores are limited and therefore the number of customers that can experience the products and get into personal contact with the companies are relatively few. Hence it is important that customers can call and ask questions about products, delivery procedures or other information that might not be clear in the web shop in a way that is natural for them. A customer service that speaks the English language and assumes that customers will adapt may lose the customer to a competing company which has the local language in-house. This is captured by one of the interviewed, “The key here when it comes to internationalization is that you have to talk and write to the customer with the native tongue, otherwise you will just loose them”. Therefore, local tongue customer service could be seen as non-substitutional. At least in countries where the population is relatively unused speaking English. However, in countries that is not native English speaking but were the population is relatively more used to English, native tongue customer service could perhaps be seen as complementary. Although, the sample companies agreed that having native tongue customer service increases the local touch and customer trust. Therefore, offline local tongue customer service is hard to substitute, even though companies can choose to have only online customer service. The possibility to choose between online and offline local tongue customer service makes it complementary.

All of the sample companies, except one, uses physical stores and offline product placement. The companies could see an increase in visitors to their web shops as well as an increase in sells both offline and online sales. This indicates that offline exposure of products and brands creates
awareness in the customers and helps them in the purchase decision. As stated by one of the interviewees, “Having a store adds to the visibility of the company, people who don’t know our website but see our store in the shopping street might later visit our website”. Further, the sample companies found offline product placement to increase the credibility of the firm. Having a brand store or having your products placed in serious retail stores show the customers that the companies are real and serious, which creates trust. The company can gain awareness online as well, through marketing in different channels such as YouTube, Facebook and Instagram. In this aspect physical stores can be seen as complementary. However, the trust that an offline product placement creates can be hard to replace online. Therefore, physical stores and offline product placement could be considered as non-substitutional.

4.4.5 Service

The interviews indicate that trust is an important factor, something that can help to create trust is services. Having good services can increase the likelihood that a consumer purchases the product, one such service is local tongue customer service which was described in the previous section, another one is having fast delivery. Customers’ expectations on delivery time varies depending on the countries. In some, the customers expect the product within two days, maximum two days, it is depending on the country. As one interviewee said:

“The Danish people, for example . . . want delivery to their home and they want it in two days and they want free shipping and free return as well . . . The Norwegians are like us [Swedes] about two to five days is ok . . . The Finns not so much, they think it will come when it comes”

Therefore, it might be important for the companies to know the customer’s delivery expectations in the target market. If customers expect short delivery time and the shipping of the company products take seven days, the customers could possibly turn somewhere else for their purchase. However, to tackle this obstacle, the company can invest in local warehouses. Having a warehouse in the target market can help the firm to gain credibility since the delivery time will be short and more reliable. For example, one interviewee mentioned:

“. . . However, in Belgium, Netherlands, Germany we do have warehouses . . . perhaps we can put a European warehouse in the Czech Republic which is more central and helps reaching consumers
in one day . . . There are not many consumers who want to wait for three days to get the product. Maybe two days . . . that's OK. But it should not take 7 days”

However, it is still possible for the sample companies to ship from the domestic market, even though the delivery might take longer time. Therefore, local warehouses or fast delivery can be seen as complementary to domestic warehouses. However, the service itself cannot be replaced by an online method since the sample companies trade with physical products, but it is possible for other offline services to somewhat be replaced by online methods, for instance customer service as mentioned in previous section. Although the results do not find any connections between the sample companies regarding other offline services.

4.4.6 Offline Promotion

With offline promotion this thesis refers to promotion that is taking place in an offline way and thus not in the online world. Offline promotion can then be referred to as the traditional media such as television, newspaper, radio, billboards and magazines. Since the sample are small to medium sized e-commerce companies, it can be assumed that they have a limited budget when it comes to advertising and promotion. Therefore, it might be more logical for e-commerce companies to apply online promotion channels, due to the fact that they operate in the same field. However, the results show that several of the sample companies do use traditional media channels, and therefore are referred to as offline media and offline promotion. One of the more common traditional media channels that the sample firms used were newspapers and magazines. This can be a valuable channel to create awareness among potential customers, especially older target groups. One interviewee stated “We take care of this [the marketing] very much ourselves, we have a relation with almost all newspapers in Denmark and Norway on our own now.” Another traditional media that was used by some of the sample firms were to-commercials. Although, it is important to note that only a minority of the firms used this approach, several firms mentioned that to-commercials could be beneficial to use. However, the high costs hindered these firms from using this type of channel. The benefit of to-commercials is that it reaches out to a vast number of consumers, but it cannot do it in a selective way. This means that the people who see the commercial does not have to be potential customers. Thus there is a waste since not all consumers are interested in the company's products. Nevertheless, the results, although coming from a minority of the sample,
suggest that to commercials can create awareness in the customer. This is put into context by one of the interviewees, “. . . Before the to-flight we scored 6%, after the to-flight it was 14% . . .”. They can be replaced by each other, a too commercial can be replaced by an advertisement in the newspaper or the radio, but can also be replaced by online promotion methods such as advertisement on Facebook or a post by a blogger. A to-commercial will probably have a different result and effect than for instance an advertisement campaign run via YouTube. however, this method also offers the possibility to use motion picture as commercial. Therefore, offline promotion methods such as commercials in newspapers and on to can be considered as substitutable

4.5 Online Benefits

The findings show that the online benefits can be divided in three categories. Firstly, the benefits of online local connections. Secondly, benefits of online knowledge and thirdly, the benefits of online promotion

4.5.1 Online Local Connection

The previous section about offline local connection explains the benefits of offline local connection. However, the companies also emphasize that it is important to act local online as well. As mentioned in the section 4.1.1 offline local knowledge, most companies used consultants to help translate the websites into the local language. This is an important step in order to make the company look local and was used by all companies except two that only have Swedish and English on their webpages. However, they still acknowledged the importance of the local language, especially the online part of customer service. If you have a web shop in the local language, then customers also expect that they can chat or send emails to the company using the local language. As one company said, “later in the internationalization process we learned that language is very important. We need native tongue when it comes to customer service and text on the website”. However, it would be possible for the companies to have an English customer service and then use translation tools such as Google Translate. Although this is far from optimal, it can still help you solve a customer’s problems, therefore a local language speaking customer service can be seen as complementary to a general customer service. This is illustrated well by one company:
“If they [the customers] write to us in Spanish, of course we try to solve it. Google translate usually helps pretty good, but you want the customer to leave with such a good experience as possible”

Another aspect common for all the companies, is to look for payment methods that fit the target market. That is, the companies look into what payment methods is most used in the country and then adopt to these types of methods. For instance, PayPal might be the most used solution in one country while Klarna is more common in another country. The perceived situation among five of the sample companies is that if you do not have a payment method that is familiar to the customers within the target market, they might hesitate to purchase from your web shop. Although, you can have a payment method that is not common and then add payment methods that are. If you have payment by credit card, PayPal and Klarna, you might cover a substantial part of the payment methods that are familiar to consumers in general. Therefore, common payment methods could be seen as a complementary benefit. As one of the companies stated:

“it is also about cultural differences. How to solve payment, people like to pay differently in different countries . . . When you really want to commit . . . you need to find out about all this. You cannot just translate the webpage to German and think that it is enough . . .”

4.5.2 Online Local Knowledge

When it comes to online benefits of e-commerce companies, a cluster can be noticed focusing on local knowledge. However, the only category that was found within the local knowledge using online methods, is data collection. It is beneficial since data collection helps the internationalization process by getting knowledge about the customers and markets in a faster way, and that helps bring more revenue for the company. As one of the companies using this knowledge mentioned, “So you can pretty fast make a model . . . and work with it and this traffic control is the most interesting part to increase the sales”. Most of the companies explained the importance of local knowledge in order to adapt quickly to the new market. They stated that the benefit for the e-commerce company, is the ability to find that knowledge through a vast range (free) online methods. One company stated it as follow:

“. . . The advantage with e-commerce . . . easily monitor your performance. I worked with . . . printing-stuff, and had no idea how it affected performance. But the advantage with e-commerce . . . you can monitor to make sure that you have done things right”
In general, it is more difficult to get detailed information about the customer with offline methods while it usually only provides the basics. E-commerce companies on the other hand have the benefit of using online methods to get more precise knowledge about the customer. As a firm stated during the interview:

“Offline method gets you a basic overview of the main customer . . . the customer is a 35 to 45-year-old women and so on. Online tools give you straight facts, the person visiting has that status and history. You get a lot more online than offline”

There are different tools to collect data, called analytical tools and the most common analytical tools is Google Analytics. Google Analytics makes it easy to gather a big range of data about the online customer. As a company mentioned: “When it comes online tools, it is advantageous to look at Google Analytics, see which products sell best in each country and base further marketing campaigns”. These tools do require specific knowledge in order to be fully understand and to be applicable. However, most online tools are free to use so that gives an e-commerce company with limited financial resources vast opportunities to gather data about its website and customers. Google Analytics can show precisely where the customer is coming from, how much time they spent on which page and which device they use. Online companies use this information and apply it to optimize their advertising campaigns. However, data collection online is only substitutable if the e-commerce company also sells through offline methods. Because a company that is offline can gather a data collection through their store or retailer. They can for examples hire a marketing company that collects data of the customers visiting the store. The disadvantage is that this kind of data collection is time consuming and costs money. According to the sample companies, data analysis online is more effective than data collection offline. If the e-commerce company only sells online, the data collection becomes non-substitutable.

4.5.3 Online Promotion

For e-commerce companies, it might be logical to promote their products online since this is the area where they are active in. Online promotion is referring to promotion that is taking place in online way. During the interviews it was noted that the most common promotion channels where advertising and marketing via social media, bloggers, and AdWords.

4.5.3.1 Advertising and Marketing via Social Media
To advertise and market their products, every single company that was interviewed used social media as a channel for this. As one of the companies states it is the obvious choice for them, “... we do advertisement primarily through social media . . . These are the channels we will use the most, blogs and social media”. Facebook is considered a simpler medium to use for online advertising by our interviewees whereas for using AdWords more in depth and specific knowledge is required in order to launch a campaign. YouTube, Instagram and Facebook fall into the social media category which help create (brand) awareness to the customers. The beneficial aspect of these channels is that the online company can create its own account and target the customer in their own way. Moreover, companies create trust and customer engagement by having interactions, updating news, uploading pictures and writing blogs. Handling negative customer reviews is also an important way of creating trust, “You can create trust when you handle negative comments on social media in a correct way. Trust is then build with other readers because the company shows its good intentions”

Besides being able to control and steer your own marketing via Instagram and Facebook, these are methods that in general are less costly than using traditional marketing. As one of the companies explains,

“In addition to using your own social media accounts such as Facebook, Instagram or Twitter buying other types of media such as television, radio or printed media is very expensive and less effective”

Online advertising and marketing is considered substitutable because it can be replaced by of offline marketing. When going international, it can be more beneficial to use online marketing and social media channels. Online marketing and social media accounts allow the company to interact with, and gather followers all around the world for relatively low costs. One of the companies mentioned that they grew faster in the United States compared to Sweden due to the fact that Instagram was more used and popular in the United States. They mentioned during the interview that, “It has to do with the fact that the United States was earlier on Instagram and our company was initially built via this medium. It was here where the whole business started”.
4.5.3.2 Influencers

While YouTube, Instagram and Facebook all belong to the social media category, this research showed that in order to promote products online, e-commerce companies often use influencers such as bloggers and vloggers. By using influencers, the companies can create customer awareness and use the authority of the influencer to promote the product. As one company phrases it, “I think that without using bloggers and vloggers, it takes much longer to establish a name in the Danish market so using that is important and relatively easy”. Moreover, the right influencer can help the company to reach out to a large numbers of potential customers that might be interested in the company’s products. One of the companies mentioned that, “When it comes down to the United States, we have established good cooperation with some bloggers. That has been very efficient in reaching large numbers of new customers”. Bloggers and vloggers create exposure for the online company and help spread the name and brand. Another beneficial factor that companies pointed out is the fact that bloggers and vloggers are not that expensive. Influencers with a couple of thousands of followers normally do not charge for writing an article or a placing a post, but do require a free product that they sometimes give to one of their followers. As one company mentioned:

“Nowadays you can get a pretty good effect from the smaller bloggers . . . without any payment. They contact us or we contact them and we deliver the product to them and they write about it”

Another company confirms this by stating that, “Small and medium sized bloggers want the product and then write about it. They get the product for free, which is a cost but less expensive than working with famous bloggers”. One company noted a possible downside of using influencers to promote a product. They stated to not use them when the product can also be found on other websites or stores. There is no guarantee the customer will buy the product from the online company or goes to a competitor that also happens to sell the same or a similar product. Although only company has this experience, it highlights that there could be situations where influencers can have an opposite effect of what was initially intended.

Promoting a product via an influencer who gains trust, credibility and who talks positively about a product, makes it more likely that a customer will buy this product. If the influencer is using the product themselves many followers see this as proof that the product is trustworthy and beneficial.
A company can also choose to place the product in an advertisement in a magazine, however a magazine lacks the personal credibility that an influencer often does have. An influencer promoting a product looks less like an advertisement than an ad in a magazine. Therefore, it is believed that influencers such as bloggers and vloggers are non-substitutable due to the personal attachment to the product.

4.5.3.3 AdWords

All of the interviewed firms indicated that they used online advertising in their internationalization strategy. For a company that generates the biggest part of its revenue in an online way, it is logical to spend the biggest part of their advertising budget on online methods as well. One of the most frequently mentioned online advertising methods during the interviews was AdWords via Google. With Google AdWords companies can create advertising campaigns where they place bids on certain words in order to be displayed in the Google search engine. AdWords is considered the most important platform for the e-commerce companies to self-promote their activities. As a company states is, “We mainly spent our money on AdWords. That is the primary advertising channel that we invest in”. Another company stated that AdWords is their primary online advertising method, “That is where we spent most of our marketing money, on buying AdWords. So you have to work with that every day. Measure, and change, then again measure and change again”.

One of the benefits of using AdWords compared to for instance a television or radio commercial is the fact that with AdWords the online company can specifically target customers that are searching with specific words for certain products. With AdWords, companies can reach customers that are likely to be interested in the products since they search for the product online, whereas with a TV commercial a higher percentage of the receivers might not be interested. A company said that:

“AdWords has the benefit that we can precisely target people who are searching for our products in Google, where as in TV a big part of the people we reach is not interested in our products and thus has a high waste ratio”

Setting up an AdWords campaign that efficiently targets specific search terms or customers, requires in depth knowledge about the online advertising method and about the Google search
engine. Several companies indicated that in order to launch an AdWords campaign, they hired an external company to put that in place:

“Normally there are hundreds or even thousands of search words that apply to your product. You have to find out which words have a high search volume but are still affordable, this can be a tricky task”

AdWords is considered non-substitutable because there is no other advertising tool that allows companies to advertise on specific words in the Google search engine. AdWords is also unique in its ability to let the online company measure the results and effects of the online advertising campaign, whereas this would be more difficult with a tv or radio commercial. By being able to measure and monitor the results, an online company can rather quickly change and adapt its marketing campaign when necessary, thereby reducing the waste and thus saving money.
5. Discussion

The focus of the research during this thesis is about the online-offline balance of Swedish e-commerce companies who engage in the internationalization process. Moreover, it aims to investigate what the benefits are of using offline and online methods while expanding abroad and how online companies balance their resources between those online and offline methods. The first part of the thesis describes the literature review. Here it is discussed what is already known about the topics that are related to online internationalization, such as the virtuality trap and the psychic distance, the online and offline balance and BGs. It is found that in existing literature there mainly has been written about the online-offline balance of OSPs, and not about e-commerce companies that sell physical products. Thereby filling the gap that exists within the literature with this research.

After the literature review, the methods used for this research are explained. Semi structured interviews that mainly have been conducted via Skype have provided the relevant data for the research. The interviews with Swedish e-commerce companies revealed information about the devotion of resources towards the online-offline balance and the benefits of using online and offline methods in the internationalization process.

All sample companies, except one, use or have used offline sales channels such as popup stores or retail stores in addition to online sales channels. They also noted an increase in both offline and online sales. This indicates that the use of intermediaries is still important for e-commerce firms, which is in line with Gabrielsson and Gabrielsson (2011) findings about multiple sales channels, and consequently contradicts Hamill (1997). The findings also suggest that physical presence can have benefits for the firm and firm performance because offline presence help the companies to look local and to gather local knowledge, thus gaining trust customers trust. Further, the findings indicate that there are some types of offline methods that cannot be substituted with online means. For the sample firms, such offline methods seem to be country managers, consultants with experiential knowledge and physical stores. This confirms the findings of Sinkovics, et al., (2013), Jean (2007) and Morgan-Thomas & Bridgewater (2004), that entirely replacing offline presence with online presence will not lead to an increased export results and consequently firm performance. However, some offline methods could be seen as complementary to online methods, such as local tongue customer service, local warehouses and offline promotion. This indicates that
using complementary offline methods at the same time as online methods can add extra benefits to certain areas that online methods cannot give.

Although, the findings also suggest that there also are online presences and methods that cannot be substituted. These are promotion through AdWords and Influencers, and data collection, unless the company has offline sales channels which would make online data collection complementary. This indicates that totally replacing online presence with offline presence will not increase firm performance. This suggest that firms need to find a balance between online and offline presence in order to reach as high company performance as possible, since companies only have a certain amount of resources. Therefore, they need choose where to invest them. The sample firms in general have entered the foreign markets through an online presence which then have been followed up by offline presence, except from a few occasions such as when one company entered Norway by first acquiring help of consultants. This suggests that the resources are invested differently over time and that there is a shift in the balance of resources in online and offline presence. This is consistent with Wentrup’s (2016) reasoning about the balance. The authors of this thesis hypothesize that this occurs since some parts of both online and offline presence seems to be non-substitutional by the counterpart. This leads firms to try to find an optimal balance between online and offline methods relative to the resources they have, and the situation at the present time. An optimal balance could bring forth the best of both sides and help to reduce the psychic distance, which in turn might increase firm performance.

Only one company believes that they can find all the necessary information online. However, all of the companies are aware that foreign markets can differ from the Swedish market. This, together with the use of offline presence, indicates that the sample companies are avoiding Yamin and Sinkovics (2006) virtuality trap. If this is intentional it could be a proof of O’Grady and Lanes (1996) PDP. The sample companies goal was to increase sales and they identified especially language and acting local as way to gain trust and thus increasing consumers’ willingness to buy. Consequently, the sample firms have also taken actions that have decreased the psychic distance, whether intentional or not.

The companies, with exception of two sample firms, have gone international at inception which would make them BGs. On the other hand, the expansion follows a gradual pattern where all of the
firms, except one, start their expansion in the Nordic countries. This fits well with the UM but not with the BG theory, which suggests that BGs skip initial incremental steps. However, this support Kuivalainen’s, et al. (2007) findings about apparently BGs. In any case, this is consistent with the findings of Wentrup (2016), but also confirms Chen (2006) who suggested that internationalizing B2C-online firms tend to stay within their region and the internet therefore have a minor influence on the internationalization process. Therefore, the findings of this thesis suggests that the internationalization process of OSPs and e-commerce firms do not differ that much from each other, although larger sample sizes of both types of firms are needed to confirm this.

The indications of the results can provide insights into the benefits of using online and offline methods in the internationalization process for e-commerce companies and how these can be balanced in an optimal way. Many e-commerce companies exclusively apply online methods in their internationalization process. This could of course be a good way of expanding the company abroad. However, the results show that e-commerce companies also use offline methods which indicate that offline methods in the internationalization process can help and benefit the company. This thesis is not written to provide a framework with steps to follow in order to implement offline methods in addition to online methods. Rather, the findings of this research tries to inspire and broaden the view of e-commerce companies that applying offline methods can have positive outcomes during the internationalization process. However, due to the small sample size, the findings of this thesis should be interpreted with caution since they cannot be generalized.

The findings indicate that firms could balance their resources in online and offline presence in order to gain benefits that cannot be found in the counterparts of each presence. This could be of interest for entrepreneurs and managers that plan to engage in internationalization within e-commerce. Follow up research questions that could be generated by this research might be directed at the key elements in the internationalization process such as speed, geography and mode of entry, focused on e-commerce companies selling physical products. How long it takes for online companies to implement offline methods while expanding abroad? It could be researched if there is a difference in the order of countries when implementing offline methods between OSP and e-commerce companies selling physical products. Investigating which entry modes generate the best results for online companies acting in the internationalization process can also be interesting to know. As this research points out about balancing the benefits of online and offline methods, another interesting
research could be to find if there is a perfect balance and how this balance would look like in terms of resource devotion.

5.1 Future research

Since this study is focusing on e-commerce companies that use offline methods in their internationalization process, it would also be interesting to know how companies that started in an offline way use online methods in their internationalization process. So the other way around, opening for instance first a physical store in another country and then in a later phase making the step to the online world by opening a web shop in that country. Do they use the same patterns in entering countries? Do they run into the same problems or do they face different obstacles in the process of internationalization.

Also, this study and the study about the online-offline balance for OSPs conducted by Wentrup (2016) both focus on Swedish companies that primarily expand their operations to other markets in Scandinavia. It would therefore be interesting to know how this online-offline balance is in other countries or other cultures. Is there a difference between countries or regions? And how does this relate to the UM?

In this research, all but two companies are BGs. Therefore, it would be interesting to research how non-BG companies handle the online-offline balance in their internationalization process. Do they use a different strategy when pursuing their internationalization strategy? Do they use a different sequence when entering countries in comparison to e-commerce companies that are BG. In addition, future research could also have a look at online-offline balance of e-commerce companies that sell business-to-business, while this research focused on e-commerce companies that have their main focus on selling to consumers.

With a sample size of seven companies, the sample size of this research was rather small. Even though we have gathered a substantial amount of data, it is difficult to generalize on the bases of seven interviews. A comparable research with a bigger sample size would result in a better generalization.
7. Conclusion

This thesis set out to investigate how Swedish e-commerce firms balance the benefits of online and offline methods in the internationalization process. The result indicates that there are several benefits with offline methods in online internationalization, that cannot be substituted by online methods. One of the most important is that it helps the company to look like a local actor in the market, which helps the company to gain trust. Another implication is that physical sales channels can help to increase sales online as well as offline. Likewise, the results indicate that there are benefits with online methods that cannot be substituted by offline methods. The most important seems to be the possibility to promote directly to potential customers through AdWords and influencers, and the ability to collect detailed data about customers. Although the latter is only non-substitutable if the companies do not have offline sales channels. Due to limited amount of resources, the sample firms have to balance where the resources are to be placed and this allocation of resources varies over time. Thus, the sample firms seem to strive after gaining as much benefits as possible from both online and offline presence as is possible for the amount of resources that they have.

The thesis also finds similarities in the internationalization process of e-commerce firms and that of online services providers stated by Wentrup (2016). Among the similarities is the early online entry into foreign markets, followed by offline entry. Another similarity is that the sample companies seems to follow a sequential expansion, starting with Scandinavia. Thus, these e-commerce firms do not fit exactly into the Born Globals theory or the Uppsala Model, rather a combination of the both helps explaining the process.
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Appendix A

Interview Guide

A note from the authors

This is the interview guide used by the authors in order to gather data about the seven Swedish e-commerce companies that the sample consisted of. First the English version of the interview guide is shown, followed by the Swedish version. There are 15 main questions in this document, however in the thesis it says 12. The reason for this is that three questions have nothing to do with the actual internationalization process of the firm. One is a general warm-up question that is meant to get the interviewee start talking, this proved to be useful since it made the interview more fluid. Then there are two finishing questions that are simply asked if we can contact them again and if they know any other companies. There are also 14 sub-questions, which most of the time were answered already before they could be asked. However, having these question at hand was good since it made it easier to know what kind of information that had not yet been shed light upon.

Although, what the interview guide do not show is when the interviewees were asked to explain deeper about certain things. For instance, when asked what kind of online methods used most of the interviewees started with AdWords and that it is an effective method, but did not dwell deeper than that. In these cases, the interviewees were asked why they were thinking AdWords is an effective method. Lastly, an important factor about the questions to note is that they state in general “offline methods”, however in the interviews these were replaced, or exampled by the methods that the company had used.

Björn Clarqvist
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English Version

So as you might know, we are three students that are studying our Master program in entrepreneurship in Uppsala university and we are currently writing our Master thesis about e-commerce companies and how they use offline and online methods when going international.

The information we collect is going to be handled anonymously and only by us three when we write this thesis. We will record this conversation and then transcribe it, at which point we remove names of companies, persons and so forth. Of Course, as a token of our appreciation we will send the final version of the thesis to you.

First we would like to talk some about your internationalization process, more generally, how you have gone about reaching out to other countries.

Warm-up question

- What was the reason why you started this company online / (a web shop)?

Internationalization

- How many countries are you active in now?
  - Which ones?
- When did you first go international, that is when did you first enter a foreign market for the first time?
  - How long after the initial expansion did you enter the next country, and so on?
  - How did you reason when you choose the countries to enter?

Approach to the other countries

Now we are going to look at which approaches you used when you entered the other countries

- In addition to the internet, what other approaches/methods did you use when going international, to establish yourselves in foreign markets, examples on other approaches could be local sellers, distributors or local consultants, etc.
  - Did you use online or offline methods first, how long time did it take until you started using offline methods
- Why did you use offline methods?
  - Did you find any benefits using offline method?
Did you find any disadvantages using offline method? Something you did wrong or wish you had done differently, something you learned?

What kind of online methods do you use?

What benefits are there in these online methods?

Did you find any balance between online and offline methods? That is, if you over time have found any approach that suits you when entering new markets, to do some things offline and some things online.

- Have you noticed if it goes quicker to get the customers when using offline methods?
- In what countries have you used only online and what countries online and offline.
  - If you have done it why did you enter these markets differently?

Communication

- How did you communicate in the new country? In what language and how important was it to know this language?
  - Do you have customer Service in the local languages?

- How did you find your offline methods?
  - If you used some kind of agents/consultants, what was the most important reasons when you went international? For instance, language, culture, political aspects etc.
  - Did you only use agents in the beginning or did you keep them for a longer time?

- You come in as a new foreign company in the market, how do you reach out to customers and create awareness and trust?
  - Do you think using offline methods would help you in this?

Virtuality trap

- Did you feel that you had enough information about the countries and potential customers just by using the internet as a mean of gathering information?
- Did you notice any difference in your understanding about the target market and target customers when using offline-methods?
- Did you notice if the offline-methods helped to increase firm performance, for instance revenue, number of orders, easier communication etc.?

Finishing questions

- Can we send complementary questions later by mail?
- Do you know any other e-commerce companies that have use offline methods when going international?
Swedish Version

Som du kanske vet så är vi tre studenter pluggar magisterprogrammet i entreprenörskap i Uppsala universitet och skriver nu våran uppsats om e-handels företag och hur det använder offline och online metoder när de internationaliserar sig.

Den information vi samlar in kommer behandlas anonymt och enbart av oss tre när vi skriver den här uppsatsen. Vi kommer att spela in samtalen och sedan transkribera det, samtidigt tar vi bort namn på företag, personer etc. Såklart så kommer vi att skicka den slutgiltiga versionen av uppsatsen till er som tack för hjälpen.

Först tänkte vi prata lite om er internationaliseringsprocess, mer generellt hur ni har gått tillväga för att nå ut till andra länder.

Uppvärmningsfråga
- Varför valde ni att starta företaget online, som en web shop?

Internationalisering
- Hur många länder är ni aktiva i nu?
  - Vilka?
- Vilket är gick ni internationellt, alltså när gick ni in på en annan marknad för första gången?
  - Hur lång tid efter den första expansionen gick ni till nästa land osv.
  - Hur resonerade ni när ni valde länder att gå in i?

Nu ska vi titta mer på hur själva tillvägagångssättet ni använde för att gå in i länderna

Gick till väga i länderna
- Utöver internet, vilka andra metoder/tillvägagångssätt har ni använt för att etablera er i utländska marknader? Exempel på andra metoder kan vara lokala säljare, distributörer eller lokala representanter.
  - Använde ni online eller offline metoder först, i så fall hur lång tid tog det till ni startade använda offline metoder
- Varför använde ni de här metoderna? (Offline metoder)
  - Upplevde ni några fördelar med att använda er av offline-metoder?
  - Upplevde ni några nackdelar med att använda er av offline-metoder? Något som ni gjorde fel eller önskar att ni hade gjort annorlunda
  - Vad för online metoder använder ni?
o Vilka fördelar finns det med de här online-metoderna?

o Har ni hittat ni någon balans mellan online och offline metod? Alltså om ni, genom tiden har hittat ett tillvägagångssätt som passar er för att gå in i andra marknader, göra vissa saker offline och andra online.

- Har ni upptäckt om det går snabbare att få kunder när ni har använt offline metoder?
- I vilka länder har ni använt, bara online och i vilka har ni både använt online och offline metoder.
  o Om ni har gjort det varför gick ni in i dessa länder olika.

Sen tänkte vi prata lite om kommunikation

Kommunikation
- Hur kommunicerar ni med det nya landet, vilket språk, och hur viktigt var det att kunna språket?
  o Har ni kundservice i de olika språken?
- Hur hittade ni era offline metoder?
  o Om ni använder någon slags agent/konsult, vad var de viktigaste faktorerna när ni gick internationellt, exempelvis språk, kultur, politiska aspekter etc.
  o Använd ni bara agenter i början eller behöll ni dem för under en längre tid?
- Ni kommer in som ett nytt, utländskt företag, hur skapar ni kännedom och förtroende hos kunderna?
  o Tror du att offline-metoder kan hjälpa er med att göra det?

Virtuality trap
- Upplevde du att ni hittade tillräckligt med information om länderna och potentiell kunder bara genom att använda internet?
- Upplevde du någon förändring i din förståelse om marknaden och potentiella kunder genom att använda offline-metoder?
- Upplevde du att offline-metoder har hjälpt till att öka företagets prestanda, exempelvis omsättning, antal ordrar, enklare kommunikation etc.

Slutliga frågor
- Kan bli så att vi skicka kompletterande frågor senare på mail?
- Vet du några andra e-handelsföretag som har använt offline metoder när de har gått internationellt