

CHALMERS



Formation of an Internationalization Strategy

– A Case Study of a Startup Software Company

Bachelor Thesis in Industrial Engineering and Management

ERIK EKLÖW

ROBIN FENG

NIKLAS FREDRIKSSON

MADELEINE GILBORNE

JOHANNES SCHYGGE

JESPER WIKBERG

Department of Technology Management and Economics

Division of Innovation Engineering and Management

CHALMERS UNIVERSITY OF TECHNOLOGY

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Preface

This bachelor thesis was written during the spring 2012 at the Department of Technology Management and Economics, and the Division of Innovation Engineering and Management at Chalmers University of Technology. The thesis is the result from cooperation between the authors, the Division of Innovation Engineering and Management and the firm, Mezmerize-e.

A special thanks is directed towards Jonas Hjerpe, our tutor, whose continuous help and engagement were very valuable and appreciated throughout the project. We would also like to thank Joel Törnqvist and Mikael Törnqvist at Mezmerize-e for their trust and the opportunity to work with them on their internationalization strategy. Further, thanks are directed towards everyone who has contributed to this report through his or her market knowledge, and in particular to Thomas Fleck at Net Research and Philippe Humeau at NBS Systems whose great market insights gave us plenty of help. Special thanks are also given to Fredrik Lennström at Klarna, Steve Deckert at Sweet Tooth and Thomas Berg at OneStepCheckout who also contributed greatly by sharing the stories about their firms' successful internationalization processes. Finally, thanks are directed towards Improove for the Magento conference in Stockholm, and in particular to Andreas Karlsson who helped improving our market knowledge through a lengthy discussion after the conference.

Hopefully this thesis will help guiding the reader through the previously unexplored market of online store extensions, and showing firms within this market how they successfully could grow internationally.

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Erik Eklöv

Robin Feng

Niklas Fredriksson

Madeleine Gilborne

Johannes Schygge

Jesper Wikberg

Abstract

During the last decades, the rises of e-commerce and software entrepreneurship have dramatically changed the world of business. Mezmerize-e is a company that embodies these changes, being a start-up company that offers a software extension that increases the business potential of online stores. The purpose of this thesis is to develop an internationalization strategy that Mezmerize-e should use to achieve rapid growth.

Five substudies have been done to develop this strategy. The Selection of Target Countries identifies the European markets that would allow Mezmerize-e to gain the most rapid growth. The International Market Analysis maps the current market situation in terms of sales channels, customer segments and competitive situation. The Analysis of Success Factors identifies success factors for comparable companies and the Sustainability Analysis explores how the development of e-commerce and extensions affect sustainability. Finally, the Internationalization Strategy uses the findings of the other substudies to formulate an internationalization strategy for Mezmerize-e.

The strategy that was formulated could be summarized as follows. In the short term, the company should focus on getting reference customers in order to improve their product. In the medium term, they should cooperate with solution providers in Germany and the United Kingdom to increase credibility and access to customers. In the long term, their goal should be to standardize the product in order to approach solution providers in additional countries. In parallel with this process, the extension should be made available on extension markets to reach additional customers in all markets.

The primary contribution of the report is that it provides new knowledge about the market for e-commerce extensions in Europe. It should be of interest for various stakeholders with connection to e-commerce, including online stores, solution providers, extension developers and platform providers. With its focus on the company Mezmerize-e, it should be of particular interest for extension developers in an early phase with the ambition to grow internationally.

Sammanfattning

Under de senaste decennierna har två stora förändringar i affärsvärlden varit framväxten av e-handel och mjukvaru-entreprenörskap. Mezmerize-e är ett företag som förkroppsligar dessa förändringar då de säljer mjukvaruapplikationer som ökar affärspotentialen hos internetbutiker. Syftet med denna rapport är att utveckla en internationaliseringsstrategi som Mezmerize-e kan använda för att uppnå snabb tillväxt.

Fem delstudier har gjorts för att utveckla denna strategi. I en understudie identifieras vilka europeiska länder som Mezmerize-e kan uppnå snabbast tillväxt i. I en marknadsstudie kartläggs den nuvarande situationen i marknaderna med avseende på säljkanaler, kundsegment och konkurrenssituation. En understudie identifierar vilka framgångsfaktorer som jämförbara företag har tillämpat och i en hållbarhetsstudie utforskas hur utvecklingen av e-handel och applikationer påverkar hållbar utveckling. Till sist så formuleras en internationaliseringsstrategi baserat på resultaten från de andra delstudierna.

Den formulerade strategin kan sammanfattas som följer. På kort sikt så ska företaget fokusera på att få referenskunder för att förbättra produkten. På medellång sikt så ska de samarbeta med IT-konsulter för att förbättra trovärdigheten och lättare komma åt kunder. På lång sikt så ska deras mål vara att standardisera produkten för att kunna samarbeta med IT-konsulter i ytterligare länder. Parallellt med denna process så ska applikationen göras tillgänglig på applikations-marknader för att nå ytterligare kunder i alla länder.

Rapportens främsta bidrag till forskning är att den ger ny kunskap om marknaden för e-handels-applikationer i Europa. Rapporten borde vara av särskilt intresse för intressenter med koppling till e-handel, inklusive internetbutiker, IT-konsulter, applikationsutvecklare och plattformsutvecklare. Med fokus på företaget Mezmerize-e så borde rapporten vara av särskilt intresse för applikationsutvecklare i en tidig fas med ambitionen att växa internationellt.

Concepts

Add-on	This term is used as a synonym to extension, i.e. a piece of software that is built to enhance another software application, but usually is not possible to run independently.
API	An abbreviation of Application Programming Interface, which is a source code-based specification, intended to be used as an interface by software components to communicate with each other.
Closed external	The market segment with closed online store platforms that have external development of the store.
Closed internal	The market segment with closed online store platforms that have internal development of the store.
Closed platform	The closed platforms are either platforms that are developed by solution providers but are not open, or a unique solution developed internally by an online store.
Consultant	The word consultant is used as a synonym to the word solution provider and refers to actors not directly employed by the online store that still makes the development of the online store.
Customer segment	A group of customer who share similarities in sense of buying behavior and technical characteristics.
DragDropShop	DragDropShop was Mezmerize-e planned extension for online stores and was used as the type extension in this report. The functionality of this product includes a recommendation engine, social network integration and a drag-and-drop interface.
E-commerce	The sector of electronic commerce. Defined according to Global eCommerce Measurement Standard, which excludes online spending on tickets, travel, cars, fuel, pornography, insurance and financial services.
E-commerce platform	A platform that provide that foundation for online stores, and from which online stores could be developed.
Extension	A piece of software that is built to enhance another software application, but usually is not possible to run independently.
Externally developed platform	Platform developed and serviced by an external consultant.
Growth	Revenue growth
Internally developed platform	Platforms developed and serviced by internal resources.
Internationalization	The term refers to the process of initializing, or increasing, a firm's presence on international markets.
Magento	Magento is an open e-commerce platform and currently the platform that is the most used worldwide. It is also among the most rapidly growing platforms.
Mezmerize-e	Mezmerize-e is the firm that this report originally was made in cooperation with. Today, the firm has changed its focus to m-commerce instead and is no longer active on the market for e-commerce extensions.

Module	This term is in this report sometimes used as a synonym to extension, i.e. a piece of software that is built to enhance another software application, but usually is not possible to run independently.
Online stores	An online store is a store that engages in e-commerce, where e-commerce is defined as in this concept list.
Open external	The market segments with open platforms that have external development of the online store.
Open internal	The market segments with open platforms that have internal development of the online store.
Open platform	The open platforms are defined as platforms with extension markets and communities, which can be implemented by both internal and external solution providers.
osCommerce	osCommerce is an open e-commerce platform which in the late 2000's was one of the largest platforms, but currently has a diminishing market share.
Platform	The word platform does in this report refer to e-commerce platforms, i.e. a platform that provide that foundation for online stores, and from which online stores could be developed.
Plug and play	The term refers to the characteristics of an extension, which could be installed and used without any need for extensive work for integration and customization.
Prestashop	Prestashop is an open e-commerce platform and currently hosts approximately 100 000 shops worldwide. The platform has particularly high market shares in French-speaking countries.
Productified Service	A service that is packaged and sold as a product.
Shopify	Shopify is an open e-commerce platform that currently hosts above 20 000 online store and is considered to be one of the most rapidly growing platforms.
Solution provider	Solution providers are consultants that help to develop, improve and implement online stores.
Sustainable development	The concept of sustainability is defined as Report of the World Commission on Environment and Development (1987) definition as "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."
Zen Cart	Zen Cart is an open e-commerce platform that originally was based on osCommerce and today is among the largest e-commerce platforms.

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1 Introduction

The aim of this thesis is to examine how the software start-up company Mezmerize-e should act to rapidly grow internationally on the market for extensions that increase the business potential of online stores. As this thesis will show, the market for online store extensions is evolving quickly and thereby provides opportunities for quick internationalization. This chapter provides the foundation of the study by describing the background of the problem, the purpose of the thesis, the problem analysis and the scope of the study.

1.1 Background

This section aims to present the background around how entrepreneurship and commerce has changed due to the development of the Internet. It will also present the company Mezmerize-e, their main product and their prerequisites for internationalization.

1.1.1 The Development of E-commerce

In 1982, the final standardization steps of the Internet Protocol Suite were made and the concept of a worldwide network of fully interconnected networks called the Internet was introduced. The Internet has grown strongly both in number of users and economic importance, and the network today connects billions of people all over the world (Internet Society, 2012).

Two of the main characteristics of the Internet are that it is immaterial and information-based. These have helped to transform entrepreneurship and enabled more rapid growth than before. There are numerous examples of successful ventures that, through various Internet-based innovations, have started small and domestic and managed to grow rapidly into a large international actor.¹

The rise of the Internet has also transformed commerce. The fundamental principle of commerce is the exchange of goods and services. Commerce has evolved through history, mirroring the economical, societal and technological advances. The development of the Internet has led to new sector called electronic commerce or e-commerce, which is basically commerce over the Internet. Henceforth, the term “e-commerce” will be used to describe this phenomenon. Additionally, the term online stores will refer to stores that engage in commerce through the Internet.

The growing number of online stores has led to an increased demand for the standardization of online stores and additional functionality. Especially people with little previous experience of programming have demanded easy-to-use standard interfaces that still could be customized for their specific business requirements. This has led to the development of standardized

¹ Three such examples are Google, Amazon and Rovio. Google Inc. was incorporated in 1998 and had 13 years later a market capitalization of \$195 billion, which means they are among the United States 10 biggest companies. Amazon is the world’s biggest online retailer and has since it was founded 1994 grown its revenues from zero to \$48 billion in 2011. Rovio is a Finnish game developer who’s successful phone and computer application *Angry Birds* that in 2011 had been downloaded over 500 million times since it was released in December 2009, Rao (2011).

platforms that could be used as a foundation for an online store.² The development of such platforms has helped enabling entrepreneurs whose main interest is the trading of products to set up online stores and become a part of the growing e-commerce sector. Today the existing platforms could be divided into two main groups; open source platforms, with open source code that developers freely can access to create extensions and closed platforms for which developers need permission from the platform owners to be able to develop extensions.

As online stores become an increasingly important sales channel, competition as well as customer demands have risen. To manage the increased demand, many online stores try to differentiate themselves from their competitors. To meet this need, a new market of actors that specialize in delivering increased functionality to online stores has developed. One way to do this is to provide additional integrate-able functionality, so-called extensions, for online stores. These extensions aim to enhance the shopping experience in various manners and thus boost the revenues of the online store. The development of platforms, where many online stores use the same foundation for their online stores, has made the scaling of such extension sales less expensive. Additionally, several platform providers have launched marketplaces for extensions in order to increase their users' ability to simply enhance their online store. This has furthermore helped spreading the awareness and increasing the sales of extensions.

1.1.2 The Company Mezmerize-e

The company Mezmerize-e is a start-up company whose business model is to offer extensions that increase the business potential of online stores. They aim to do this by developing software extensions to online stores that enhances the shopping experience for the end customers. Thereby, Mezmerize-e's business lies in the intersection of the two Internet-enabled phenomena described above: the new class of entrepreneurship and the evolvement of e-commerce. The company was founded in 2010 and is a part of Chalmers Innovation's incubation program and as of 2012 employs four persons, two full-time, and two part-time.

In 2012 the firm's primarily focus is to develop their main product called the DragDropShop. The product is an extension that is added to an existing online store to improve the shopping experience through three main functionalities: a recommendation engine, Facebook integration and a drag-and-drop interface. The recommendation engine is designed to provide the customers with recommendations for additional products that they are expected to like, based on statistics from previous purchases and the products which the owners of the online stores want the software to recommend. The Facebook integration means that customers can publish their shopping carts on Facebook to show their friends what they have purchased and thus increase the number of visitors to the online store. Both these functionalities are presented in a simple and user-friendly drag-and-drop interface.

Mezmerize-e has until now focused on the Swedish market for online stores, though with limited results. The company believes that the Swedish market is too small and too difficult to penetrate, as the Swedish online stores often use closed platforms and have long-lasting relationships to their suppliers. Consequently, Mezmerize-e has found it difficult to sell third

² Examples of such platforms are the open source-based platforms Magento and Prestashop, and closed platforms Jetshop and Oracle ATG.

party solutions. However, Mezmerize-e sees potential in the international markets. Since the products are digital, they become independent of distance and have a low variable cost of distribution. Mezmerize-e needs therefore to develop an internationalization strategy for penetrating the international markets. Mezmerize-e's pricing model currently leans towards a model where customers subscribes to the service and pay per feature that they use.

Mezmerize-e's internationalization strategy will naturally be limited to their prerequisites as a start-up company. Since the company depends on capital injections from investors and has no other substantial cash flows, the financial strength of the company is limited. This means that the company cannot afford to engage in capital demanding strategies. Another consequence of they being a start-up company is that they are forced to prioritize their time between running their business and developing their products, which obviously restricts the choice of strategy for the company.

1.2 Purpose

The primary purpose of this thesis is to develop an internationalization strategy for Mezmerize-e, through which the company will be able to rapidly grow internationally by offering extensions that increase the business potential of online stores.

1.3 Problem Analysis

Mezmerize-e has stated that they believe their domestic market is too small to reach profitability. The company is therefore considering entering international markets to reach larger revenues and thus profitability. Consequently, the company needs an internationalization strategy that defines which markets to enter and how they will be reached.

The following questions have been developed in order to clarify what information is required to successfully develop an internationalization strategy:

1. Which European markets would allow Mezmerize-e to gain the most rapid growth today?

With regard to their prerequisites, the firm needs to focus its initial sales efforts to a limited number of geographical markets. This question aims to select which markets the firm should target. To be able to make this decision, a number of criteria will be selected for the evaluation and data will be gathered primarily from European statistical bureaus and other research institutes in order to compare the European countries.

2. What is the current situation in the markets in terms of sales channels, customer segments and competition?

The internationalization strategy needs to take into account the situation in the different markets. Consequently, sales channels will be analyzed in order to identify possible channels to reach the customers. The selected markets will also be segmented to identify what types of customers the firm should target in order to increase their chances of success. Additionally, an analysis of the competitive situation will be performed in order to understand the market further. Since customers differ in the different selected countries, sales channels and segments are evaluated on a country-basis. However, since the supply side of the market is not country-

based, the competitive situation will be analyzed on a more general basis. The data for the market analysis will be various statistics as well as interviews with different actors in the different markets.

3. Which are the success factors of internationalization for comparable companies in the selected markets?

In order to identify the success factors of internationalization, comparable firms that have previously successfully internationalized their business will be analyzed in case studies.

4. How does the development of e-commerce and extensions affect sustainability?

Economical progress and development have often been made on the expense on the environment. However, in the 21th century, this is no longer the case. Therefore both the development of e-commerce and the internationalization of companies such as Mezmerize-e have been reviewed from a sustainability perspective. Specifically, two different well-known theoretical frameworks for sustainability analysis were combined to be able to present a comprehensive analysis. Hopefully, this could also help Mezmerize-e to develop their product offering and differentiate themselves from their competitors.

5. How can an internationalization strategy for Mezmerize-e, given their prerequisites and market opportunities, be formulated?

This question links directly to the purpose of the report, to develop an internationalization strategy for Mezmerize-e. The strategy will have a focus on how the identified markets and segments should be targeted. Strategic choices like prioritization, time-line and approach will also be included. In other words, in what order different markets and segments should be targeted, what usage the company could have of the different segments and what sales channels could be used in order to target the segments. Furthermore, success factors from comparable companies will be included in the strategy, as well as analysis regarding what general conclusions that can be found.

In the strategy formulation different theoretical models regarding internationalization strategy will be used as support for the strategy development. The data behind the strategically decisions will be based on interviews with Mezmerize-e and other actors on the markets, as well as market and segment statistics.

1.4 Scope/Limitations

This report only considers markets within the European Union as Mezmerize-e has limited resources for the travelling expenses that occur when establishing new relations. In addition, to avoid having to consider legal issues, the European Union's collective legal regulations regarding e-commerce make this limitation suitable.³ Finally, the report does not consider differentiation, positioning or pricing, since the product's customer value has not yet been defined nor verified by Mezmerize-e.

³ European Parliament, *Directive on Electronic Commerce*, See further information at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32000L0031:SV:HTML>

1.5 Reading Directions

To guide the reader through the report, this section aim to present the structure of thesis. Chapter 2 presents earlier research within the area of the five questions from the problem analysis. The chapter aim to give the reader the background around the e-commerce development and frameworks for growth- and internationalization strategy, market analysis and sustainability. It will also present which frameworks that will be used to support the thesis.

Chapter 3 aims to outline the methodology that has been used to perform this study. First, it will discuss the use of qualitative and quantitative methods and describe the data collection processes. Later it will continue to describe the procedures through which specific chapters have been carried out and discuss it strengths and weakness as well as how it will impact the study. Finally, how the study's validity and reliability was reached and evaluated will be reviewed.

Chapter 4 explains the theory of the identified frameworks in earlier research. The chapter will contain suitable frameworks for selecting target countries, customer- and competitive analysis, sustainability and internationalization strategy. Chapter 5 presents the research findings and analysis. It aims to present the result of the thesis in a subchapter for each question that where identified in Section 1.3 It will be followed by a Conclusion and Discussion chapter which analyze how limitation have affected the results. It will also present strengths and weaknesses of the report and what contribution could be done to the thesis.

To further guide the reader through the report, each chapter will start with a preamble of what the chapter will contain and end with a summary of the conclusions.

1.6 Relevance and Contributions of the Thesis

In this chapter, the academic as well as the practical relevance and contribution of the thesis are discussed.

1.6.1 Academic Relevance and Contributions

From an academic standpoint, a solution to the thesis problem is relevant to software start-up companies that are about to internationalize their business.⁴ Furthermore, the thesis aims to develop the area of internationalization of software start-up companies by contributing with valuable insights and theoretical tools. This will hopefully lead to more successful internationalizations in the future.

1.6.2 Practical Relevance and Contributions to Stakeholders

From the Mezmerize-e's point of view, a solution is relevant to ensure their future survival since they have concluded that the Swedish market is too small for them to reach profitability. Consequently, the thesis aims to formulate an internationalization strategy, which will enable rapid international growth and is implementable with regard to Mezmerize-e's prerequisites.

⁴ This section is based on interviews with Mezmerize-e's management team, 2012-12-01

2 Earlier research

This chapter presents a selection of the most important and influential earlier research of relevance for this thesis, namely E-commerce Development in Europe, International Market Analysis, Sustainability, and Internationalization Strategy. The survey of earlier research has been done in order to create a comprehensive knowledge foundation and to formulate theoretical starting points in order to answer the purposes as accurately as possible. The primary sources of information have been the academic databases⁵ available through the Chalmers Library. This has been complemented with other sources such as management magazines statistical institutions.⁶ In general, the sections will begin with a presentation of the most important theories. It will then be followed by a discussion of the models inherent advantages and disadvantages. Finally, the theories will be discussed in relation to Mezmerize-e and the area of usage will be further explained.

2.1 E-commerce development in Europe

The question “What European markets would allow Mezmerize-e to gain the most rapid growth today?” is unique in the way that there is no previous research done on this specific type of company in this specific situation. Thus, there are no relevant research papers on the subject of choosing target countries for a company in Mezmerize-e’s situation. The choice of target countries was instead based on data from different statistical institutions. The previous research presented will therefore be an introduction to the statistics databases that have been used.

To find comparable information, sources that could provide harmonized statistics on e-commerce and retailing in general for all the member states of the European Union were sought after. General statistical data on e-commerce in European countries are today widely available, primarily through national statistic bureaus. Also, Eurostat aggregates data for countries within the European Union. There are also private research institutes that deliver more customized data regarding e-commerce, such as Euromonitor.

Eurostat’s dataset *Information Society Statistics* contain statistics regarding the usage of Information and Communications Technologies. The statistics are collected by the National Statistical Institutes of the member states and then compiled by Eurostat. The tables that were of highest relevance for the report was *Internet Purchases by Individuals* and *Value of Purchases and Sales by Internet*, which describes what proportion of customers is using e-commerce and how much these customers are buying. This data on consumer behavior can be used as a measurement of market size and market maturity. Additional statistics regarding e-commerce can be found in the Euromonitor dataset *Retailing*. Of specific interest are the *Total Internet Retailing Turnover* and *Total Retail Turnover* for all countries in the European Union. These absolute measurements can, as previously discussed data, provide insight on both market sizes and also market maturity. Since data for multiple years is available for both sources it is also possible to investigate trends.

⁵ Summon

⁶ Harvard Business Review, Eurostat

The main drawback of using this type of secondary data is that one is limited to using the existing tables. Even if the available data does not directly say what markets are best for selling extensions, the combination of the different tables discussed is considered sufficient for estimating the relative attractiveness of the markets. It will therefore be used to determine the most suitable markets for Mezmerize-e's internationalization.

2.2 Internationalization Strategies

In order to formulate an internationalization strategy for Mezmerize-e, past and current theories on internationalization have been reviewed. The primary sources of information have been the academic databases available through the Chalmers Library. Three internationalization theories will be presented, the *Uppsala Model*, the *Network Model* and the *Software Internationalization Model*. The Uppsala model was chosen since it was the first internationalization model and provides an interesting perspective of the origins of internationalization. The Network model on the other hand represents a newer generation of internationalization models and takes a more modern approach to internationalization. The software internationalization model is a relatively new internationalization model that specializes on software companies and the challenges that they encounter during their internationalization process. Subsequently, advantages and disadvantages of the models will be discussed and its application on Mezmerize-e internationalization strategy will be explained. It will be argued that the software internationalization strategy is the most suitable internationalization strategy.

Blomstermo & Sharma (2003) describe the Uppsala model as the first and most established internationalization theory. It focuses on internationalization of traditional manufacturing companies. The model describes internationalization as a four-stage process with gradually intensified international presence. It stresses that the internationalization of a business is influenced by market knowledge, experience and physical distance. The model describes a scenario where a firm progress from being isolated in its domestic market to establishing a sales agent relation with an independent representative in the foreign market. As knowledge about the foreign market increases, risks decreases and the firm can expand its international activities. When the firm feels confident in the new market the firm then proceeds to set up production abroad and the internationalization is finalized.

The greatest advantage with the Uppsala model is, according to Axinn & Matthysens (2002), that it presents actual direction of how to overcome a lack of market knowledge and experience, and how to successively overbuild a geographical distance. However, since the model is from the 1970s it only concerns companies with tangible products. In recent years, the industry of intangible goods, such as services and software, have grown rapidly. These businesses can utilize alternative solutions such as Internet-based distribution instead of physical distribution, which drastically decrease market risk and eliminate geographical distances. Thus, Han & Noller (2009) recommends that, for these kinds of businesses it is not necessary to gradually intensify the international presence, in fate they would benefit from a more rapid and straightforward internationalization process.

Consequently, the Uppsala model will not be used to support the internationalization process

of Mezmerize-e since it gives no guidance of how a software firm should internationalize and fails to deal with the problem of Mezmerize-e very limited resources.

The Network Model is another internationalization model that takes a more modern approach to internationalization. Blomstermo & Sharma (2003) claims that the model emphasizes that companies act in networks with other actors. The networks consist of actors such as competitors, customers and suppliers, which are connected to each other through different technical, social and economic links. The theory states that crucial part of the internationalization process is to establish, develop and maintain lasting business relationships within the network. Through functioning business relationships firms can exchange market knowledge, experience and help each other to overbuild the geographical distances by collaboration through the entire value chain, from R&D to sales. Such partnerships would lead to higher revenues, lower cost and risk, which would enable a more successful internationalization.

One of the main strengths with the network model is that it put a firm in relation to its environment. By doing so, according to Johanson & Mattsson (1988) a firm's strengths and weaknesses become apparent and possible strategic alignments become more evident, thus improving the chance of successful internationalization. Nonetheless, the model is built upon the assumption that an individual firm is dependent on resources controlled by other firms and that it must establish relationships within the network in order to get access to these external resources.

The network model could presumably be useful to identify weaknesses and select strategic partners to strengthen Mezmerize-e's drawbacks without large initial investments. However, while the assumption of exclusive resources may be true for many industries it might not be as true for firms that produce intangible products. For example, a software company, such as Mezmerize-e does not need to rely on a supplier of raw material in the same way a manufacturer of tangible products does.

Additionally, since Mezmerize-e is a start-up company, their current network is small and their future network is still largely unknown. This means it can be difficult to establish meaningful relationships and applying the principles in the Network model. Even though the importance of business relations of course is important even for a start-up, the model fails to capture the nature of the software industry and is not particularly applicable to Mezmerize-e. However, it identifies the need for more specialized models.

The *Internationalization Model for Software Companies* originated in Finland by Äijo (2005), as a response to the many internationalization failures of Finnish software companies. It presents an internationalization strategy customized for software companies. The model consists of two parts. The first part identifies three different pathways for internationalization, the born global-, the collaborative and the organic pathway and aids the selection process of the most suitable internationalization pathway for the company with regard to its prerequisites. The second part provides base for strategic choices concerning target country selection, segmentation and selection of sales channels, all central components of an

internationalization strategy.

An advantage with the model is that it is developed to capture and address the challenges that software companies can encounter in their internationalization process. However, this is also one of its greatest weaknesses. The model tends to become operational, with several practical tips and checklist to aid the internationalization processes and thus neglecting crucial strategy aspects such as product differentiation and company positioning.

In conclusion, inspiration from the Internationalization Model for Software Companies will be used to support the process of formulating an internationalization strategy for Mezmerize-e. Mainly, the international market analysis part will be used. This part discusses selection of target countries, international customer analysis and international competitive analysis. The other parts of the model will not be applied since they are both too detailed or operative and fails to support the strategy development phase or are deemed not to create enough value to be regarded as relevant. Consequently, the methodology will outline the use of theory, which means that the methodology will be presented before the theory to clearly illustrate how it will be used.

2.3 International Market Analysis

This section will provide an overview of the earlier research associated with the question “What is the current situation in the markets in terms of sales channels, customer segments and competition?”

To enable a discussion of the situation on the different geographical markets, earlier research on both competitive analysis and segmentation will be presented. Both these areas need to be covered to gain a both a customer and perspective. For this specific case, no relevant theories regarding choice of sales channels could be found. Therefore, sales channels will not be discussed under a separate subheading but instead as a part of the segmentation theory. The earlier research on competition analysis and segmentation is separated and will therefore be treated in separate sections.

2.3.1 Selecting Target Countries and International Customer Analysis

To get a view of the state of the art in segmentation research marketing experts at the Industrial Marketing department at Chalmers University of Technology were initially consulted. With a basis in their recommendations and results from library database queries the theories presented below were uncovered.

Our research on segmentation theory showed that there are few conceptual differences between different theories of segmentation. A reason for this could be that segmentation is, to a high degree, an applied field of research. Although similar, we will use multiple sources to acquire a stable theoretical background.

Hutt & Speh (2009) describes the important concepts of micro and macro segmentation. We will use the theories on macro segmentation when segmenting the European Union in to geographical markets. The micro segmentation theories will be used in the subsequent process of segmenting the geographical markets. As a part of the discussion on micro segmentation

Hutt & Speh (2009) describes what properties a good segment should have. Considering these properties are important in the construction of our micro segmentation model.

Other researchers and authors, such as Andersson (1996), Albertsson & Lundqvist (2006) and Kotler (2009), describe micro and macro segmentation and preferred segment characteristics in a similar way, this is the background of our hypothesis that segmentation theory is relatively homogenous.

A potential drawback of the literature used is that it does not describe the special case of segmenting the online store market. This would have been convenient but as the theories are general, it is possible to apply them to the area in question. To summarize, we will be using the general segmentation theories presented to develop a segmentation model for the different geographical markets that is specific for the e-commerce extension market. The result will consequently be a segmentation model for the market of e-commerce extensions.

2.3.2 International Competitive Analysis

This section will describe two frameworks for analyzing competitive situations on markets: the *Resource Based Model* and *Porter's Five Forces*. The Five Forces model is chosen because of its great popularity in the area of competitive analysis, as displayed by Omandidhi, Stringa (2008). The resource based model is chosen because it contrasts with the Five Forces, providing a different perspective. Barney (1991) puts the Resource Based Model and models such as Porter's Five Forces in a common context, describing them as internal and external analyses of competition respectively.

The Resource Based Model, as described by Barney (1991), analyzes competitive advantage. The model assumes that firms within an industry can have heterogeneous resources and that the resources are not perfectly transferrable between firms, resulting in that the resources can provide sustained competitive advantages for firms. In the model, the competitive advantages of a firm's resources are indicated by their value, rareness, imitability and substitutability. Since Mezmerize-e is a start-up company, their resources are highly exchangeable and not well defined at the moment. This means that the resource based model does not provide much insight for the competitive advantage of the firm and due to this.

Porter's (1980) Five Forces is another framework for competitive advantage and is widely used for analysis of competitive situations. Porter's framework describes the level of competition in an industry as based on five forces: the rivalry among competitors, the threats of substitute products and new entrants, as well as the bargaining power of suppliers and buyers. Industries with higher strength of the forces tend to have lower profitability. Ormanidhi and Stringa (2008) describe six reasons for using Porter's framework: its structure, feasibility, simplicity/generality, clarity, popularity and complementary role. The generality of the framework is important in this case since Mezmerize-e is an actor in a new industry. Consequently, the framework will be applied in the analysis of our research findings.

2.4 Sustainability

The earlier research presented in this section is focused on sustainability from a larger perspective, describing different frameworks on the bare concept of sustainability. This is due

to the focus of the question in the introduction of how the development of e-commerce and extensions affect sustainability. To be able to analyze the question, it is crucial to first determine what is meant by sustainability. In the report of the World Commission on Environment and Development (1987), sustainable development is defined as “*Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs*”. This definition is widely known and adapted, and was therefore used as the definition of sustainability in this report.

Once the concept of sustainability has been defined, it is necessary to decide what framework of analysis that should be used. There are several different ways to divide the concept of sustainability into parts, which aim partly is to make it easier to analyze the wide concept of sustainability. While studying the existing knowledge base, it shows that there are several divisions of the concept available. Three of these have been identified as the most important and are analyzed, they are chosen because they emphasize three relevant but different perspectives: waste, dimensions and geography. From the models, dimensional and geographical models were selected as the foundation of the analysis in this report.

In DEFRA (2011) a model called the waste hierarchy is discussed. The model relates sustainability to waste management. This model point out different ways to reduce negative factors, in contrast to the previous mentioned research that focused on defining different dimensions of sustainability. The different ways to reduce negative impacts on sustainability is according to this framework to reduce, reuse, recycle and dispose. According to DEFRA (2011) this framework is mainly useful for manufacturing companies. The character of Mezmerize-e’s current business means that the waste hierarchy is not a suitable framework for analyzing its problems and possibilities.

According to Slack *et al.* (2010), a common way to develop the concept is to divide sustainability into three parts. The three parts are environmental sustainability, social sustainability and economic sustainability. This separation is made to emphasize that there are several aspects that need to be considered in order to reach a completely sustainable development. The highlighting of different dimensions in the sustainability concept is the main advantage of this model, while the disadvantage is that the subgroups still are wide and might vary between different geographies.

Wilbanks (1994) takes another approach on sustainability and analyses sustainability by its environmental impact on a global, national and local level. The benefit from this methodology is that it relates an action to three dimensions and emphasizes any similarities or differences between the levels, which in turn provides a deeper understanding of the what consequences an action causes. This means that the model becomes a suitable complement to the dimensional division that is made in the sustainability dimension model. The two models will be combined in order to provide a framework for analysis of the effects that e-commerce and extensions have on sustainability. Together, they give width and allow an exhaustive analysis that takes different perspectives in consideration.

2.5 Summary: Earlier Research

The main data sources for the European market survey will consist of large governmental and

private statistical institutes. In the formulation of the internationalization strategy inspiration will be taken from the Internationalization Model for Software Companies. The Market Situation Analysis will be performed by combining, the notion of Hutt & Speh, Andersson, Albertsson & Lundqvist and Porter. First, a segmentation model and segmentation variables for the different geographical markets that are specific for the e-commerce extension market will be developed. Secondly, the Porter framework will be used to analyze the competition on the market for e-commerce extensions. In order to analyze the sustainability impact of e-commerce development the theories of Slack *et al.* and Wilbanks will be used. This means that sustainability will be analyzed in terms of economical, environmental and social sustainability, on three different levels, local national and global impact.

The theories that have been selected to support the report will be further explained in detail in Chapter 4.

3 Methodology

This chapter aims to outline the methodologies that have been used to perform this study. Firstly, a discussion is held regarding the use of qualitative and quantitative methods followed by a description of the data collection processes. Later on, the procedures through which the different questions from the introduction were answered are described, one per section. Their strengths and weaknesses as well as their impact on the study are discussed. Finally, the study's validity and reliability is reviewed by recognizing how these factors were reached and evaluated.

3.1 Qualitative and quantitative methods

In this report, both quantitative and qualitative methods have been used. Initially, statistical data from well-established data agencies such as Eurostat that aggregates data from Statistiska Centralbyrån (SCB) and foreign equivalents has been used as a foundation for the analyses, since quantitative data according to Eriksson & Wiedersheim-Paul (2008) provides results that often are easy to analyze. This in turn decreases the risk of errors in the initial findings of this study and to ensure validity.

In the later parts of the study the approach is of a more qualitative kind. Eriksson & Wiedersheim-Paul (2008) claims that the advantage of qualitative data assembly is that it gives a higher degree of nuance to the analysis and Wallén (1996) argues that qualitative studies are necessary to study things that are vague and when there is no single truth, as is often the case in this study. This makes it suitable in this study as it presents a future strategy with much uncertainty and ambiguity. To use qualitative data as a complement to quantitative data is according to Wallén (1996) often a useful method when it is not possible to commit to a strictly quantitative experiment. Therefore a mixture of quantitative and qualitative analysis was used in this study.

3.2 Data Collection

The purpose of the data collection was to provide the data to conduct the planned studies. This was necessary to answer the thesis questions of this report. Data sources can be divided into primary and secondary data (Eriksson & Wiedersheim-Paul, 2008). Primary data is directly assembled from its source, through e.g. interviews, while secondary data already exists and is assembled from e.g. books and electronic databases. In this study, both primary and secondary sources were used. The methodology used for the different types of data assembly is presented in the sections below.

3.2.1 Primary data

In this thesis the primary data that has been assembled from interviews with potential customers, partners, comparable companies and persons with knowledge of the e-commerce sector. The last category consists of both private investors and clerks at various governmental agencies. Primary data is used to a high extent in this report, since there are few secondary sources available that provide useful information for Mezmerize-e's and similar companies' specific situation. This occurs since these companies are a part of an emerging industry and this field of study has not yet been investigated to a significant extent.

3.2.2 Secondary data

The secondary data used in this study has been assembled from electronic databases, literature and reports (academic and non-academic). A lot of effort has been put on using different types of sources in order to get information from different viewpoints and thereby provide a more nuanced solution to the thesis questions.

The assembly of secondary data has been made throughout the data collection process, but also during the analysis process. More information about how and when secondary data assembly was conducted will be presented in the procedure section.

3.3 Procedure

Each one of the thesis questions presented in the Problem Analysis in Section 1.3 will be presented in a sub study in Research Findings and Analysis. The aim of this section is to describe the procedures through which each specific study has been carried out and to discuss its strengths and weakness, as well as how it will impact the study.

3.3.1 Analysis for Selecting Target Countries

The purpose of the geographic segmentation is to find the markets that would allow Mezmerize-e to gain the most rapid growth. Due to the travelling limitation given by the firm, only geographic markets within Europe have been analyzed.

Through a brief initial independent study, it was decided that some markets were less interesting and therefore were not included in the more extensive analysis. This means that an extensive analysis only was made for the e-commerce market in United Kingdom, France, Germany, Switzerland, Denmark, Norway, Poland, Benelux, Spain, Sweden and Italy. Appropriate macro segmentation variables for evaluating the markets have been found through a combination of analysis of theoretical frameworks, Hutt & Speh (2009) and in cooperation with Mezmerize-e. For the company it was of crucial importance that the chosen markets were mature and that the markets were large enough to reach large sales volumes in the short run. The model for evaluating the markets is presented in Section 4.1.1.

The data needed to conduct these analyses was assembled from Euromonitor (2012) and Eurostat (2012). The limited number of sources was chosen to ensure that the same definitions were used for all the data, so that the statistics would be comparable between the countries. The data on e-commerce from this sources follows the Global eCommerce Measurement Standard and therefore excludes online spending on tickets, travels, cars, fuel, pornography, insurance and financial services. The data for *The proportion of the population that uses e-commerce* was based on Eurostat (2012). However, for Norway and Switzerland, countries that are not part of the EU, other sources had to be used for estimating this variable, resulting in not fully comparable data. To estimate the variable for Switzerland, Ystats (2011) was used and for Norway the value was assumed to be the same as for Denmark. To estimate Benelux's *Proportion of the population that uses e-commerce*, the percentage for each country was weighted against population. For further calculation details see Appendix 8.1.

3.3.2 International Market Analysis

As described in the introduction, a market analysis is important in order to formulate an overall internationalization strategy. The international market analysis in this thesis is divided into three analyses: sales channels, customer segments and the competitive situation. This section describes how these three analyses were made.

The identification of the sales channels was the starting point of the focus. The identification of sales channels were based on information from Mezmerize-e and a segmentation model was developed jointly with the evaluation of these. With the segmentation model in place, criteria for evaluation of the segments were formulated and the segments were evaluated accordingly. The competitive analysis was done continuously throughout the market analysis and many of the interviews were used as data for all three sub-sections of the market analysis.

3.3.2.1 Identification of Sales Channels

This section describes how the different sales channels were found and evaluated. The purpose of identifying sales channels was to decide how to reach the customers in the targeted countries, depending on properties of the different channels. This section is described before customer analysis, which includes micro segmentation. This is because sales channels in this thesis were the bases for the segmentation. This section does not focus on how to strategically reach the sales channels, as this requires results from the segmentation together with the different properties of the sales channels. A further discussion on which channel strategy is most suitable is instead found in Internationalization Strategy in Section 5.5.

Sales channels were identified during interviews with Mezmerize-e after their test-sales on the Swedish market. These were further validated through interviews with e-commerce experts in the selected markets, but also by additional interviews with actors on the markets, in order to gather primary data. Questions on sales channels were asked to six solution providers and three online stores in the United Kingdom and six solution providers in Germany (see Appendix 8.3).

3.3.2.2 International customer analysis

The purpose of the International customer analysis is to evaluate the selected markets. The section will describe how the segmentation model and evaluation criteria were derived and how the data collection was carried through.

The first step of the micro segmentation was to identify relevant segmentation variables. A combination of theoretical frameworks, input from the market and interviews with Mezmerize-e was used as data for the decision of segmentation variables. Input from the market was provided through a pre-study, where different actors were interviewed with the purpose of getting a picture of the important concepts and to evaluate different segmentation variables. In this pre-study, three Swedish online stores and two solution providers from the United Kingdom were interviewed (see Appendix 8.4 and 8.5). In this way, different perspectives were included at the same time as language problems were avoided.

From the interviews with Mezmerize-e and the pre-study, two distinctions could be identified. The first distinction regarded the technical nature of the platform, being open or closed. The

other regarded if online stores used external solution providers or internal development. These two distinctions determine the accessibility of the online stores and were used to derive a segmentation model. This segmentation model will be further explained in Section 4.1.2. The model was verified in interviews with six solution providers and two extension developers from different countries (see Appendix 8.3 and 8.5).

The starting-point for finding evaluation criteria was that the segments should be evaluated on which could provide a high-expected profit for Mezmerize-e. Based on this, a theoretical profit function was derived and the different factors with impact on the function were identified, further explained in Section 4.1.2. As the scope was to analyze the market segments on a high level, the data collection was not designed to be rigorous enough to provide numerical results. Instead, qualitative measures were used to analyze and evaluate the segments on a comparative level and to get rough indications on which segments could be profitable and which that could be rejected.

The data was primarily chosen as interviews. This decision was motivated by that qualitative data such as interviews is usable when studying things that are vague and when no single truth exist, as it is for market segmentation evaluation. Also, according to Eriksson & Wiedersheim-Paul (2008) interviews are a suitable method when there is no secondary data available, as in this case.

The interview process could be divided into three phases, as the focus for the data collection changed during the process. In the first phase, the focus was to gain knowledge of the concepts and markets, to be able to build a segmentation model and identify evaluation criteria. This meant that the primary interviews had a broader scope with open questions such as through which sales channels extensions were sold and in which situations they were used. The next phase was focused on verifying the segmentation model and to evaluate the different segments with respect to the criteria. This meant questions on whether the model was realistic and what characterized different segments. The last phase was focused on complementing missing segments with information, which meant shorter interviews with narrower questions. Questions about the companies and the concepts were asked in all interviews to set the interviewee in a context and make sure they used the same definitions. Table 1 quantifies the different interview phases and which templates that were used as basis.

Table 1. Number of interviews that were made and which template that were used during each phase of the data collection. Template A for consultants, B for online stores and C for extension developers.

Phase	Number of interviews	Dates	Templates
1	13	20/2-2/3	A1, B1, C1
2	9	7/3-20/3	A2
3	17	22/3-30/3	A3, B3

The interviews were made mainly by telephone and to some extent email. The contacted online stores were selected from forums for different platforms, Internet portals with top-rated stores, as well as tips from other interviewees. The solution providers were selected from lists of certified platform partners and by using Internet portals with top-rated solution providers. The reason for why these approaches were used was primarily because of the low and random

answering-rate of the made contact attempts. In order to get sufficient data to be able to perform the analysis, it was more relevant to get many telephone numbers to call rather than to choose a perfect sample. Also, three longer interviews were performed with Thomas Fleck (a German extension developer at NetResearch), Philippe Humeau (a French extension developer at NBS Systems) and Andreas Karlsson (a Swedish solution provider at Improve). The longer interviews were necessary to get better understanding of the markets and to get broader perspectives than provided in the short interviews.

To ensure reliability and reduce bias, interviews were made in all three countries with solution providers and online stores, in all respectively segment. Some interviews were also made with extension developers, further details in Appendix 8.5. The internal segments and the French market were considerably more difficult to collect information about, which will be further analyzed in Section 5.2.4.

3.3.2.3 International Competitive Analysis

The purpose of the International Competitive Analysis is to evaluate the competition on the market for extensions in the selected countries. Due to limitations by lack of value proposition, a complete competitive analysis including recommendations for position and differentiation is not possible to develop for Mezmerize-e. Instead a more general analysis of the competitiveness in the market will be performed.

The Competitive Analysis will be based on “Porter’s five forces”-framework and analyzed from Threat of New Entrants and Substitute Products and Bargaining Power of Buyers and Suppliers, Porter (1980). The analysis is based on interviews from phase two, previously described in International customer analysis. These represent six independent solution providers with large market knowledge, to provide a reliable analysis.

3.3.3 Analysis of Success Factors

The purpose of the Analysis for Basis Success Factors is to evaluate critical success factors for developing a successful internationalization strategy for a start-up company as Mezmerize-e from case studies.

Factors of success associated with the internationalization process were generated by case studies with companies, which have experience similar prerequisites as Mezmerize-e and have succeeded in their internationalization process. Case studies are, according to Wallén (1996), particularly useful when studying what happens in real world situations. Eriksson & Wiedersheim-Paul (2008) further state that case studies allow studying a phenomenon within its natural environment. The three selected extension developers, Klarna, OneStepCheckout and Sweet Tooth were chosen as case studies since they all have the same customers as Mezmerize-e and have succeeded in their internationalization.

The first interview took place 12-03-08 with Fredrik Lennström, relation manager at Swedish firm Klarna. The second case study interview was made with Tomas Berg 12-03-30, sales manager at the Norwegian firm OneStepCheckout and the third case study interview was made with Steve Deckert 12-03-30, marketing manager at the Canadian firm Sweet Tooth. See Appendix 8.9 for the interview template.

3.3.4 Sustainability

In order for Mezmerize-e to get a broader perspective on what kind of implications their products cause, the purpose of this section is to analyze how the development of e-commerce and extensions affects sustainability.

The general analysis of e-commerce and the analysis of how extensions affect sustainability are based on suitable frameworks found in Section 4.2 and additional articles in the subject. Each analysis was based on environmental, social and economic perspective and also from a global, national and local perspective. Both positive and negative aspects from e-commerce and extension were discussed to provide a reliable analysis. The findings were presented in matrixes, with the sustainability dimensions and geographical levels on the axes, in order to provide a useful overview of the issues and opportunities on different levels.

3.3.5 Internationalization Strategy

The purpose of the Internationalization Strategy is to develop a strategy for Mezmerize-e's internationalization process based on findings from the International Market Analysis and success factors from the case studies. These findings was aggregated and analyzed in order to find a suitable internationalization strategy for Mezmerize-e.

To present the analysis of the findings, a formal strategy was structured for Mezmerize in different time perspectives; short-, medium- and long run. In this analysis, the different time perspectives were not used to symbolize any specific number of years, but instead as a way to clarify in what order different steps should be taken.

3.4 Reliability and validity

According to Eriksson & Wiedersheim-Paul (2008) validity is about how well the study measures what it is supposed to measure. Reliability, on the other hand, is about how reliable the used information is. This means the concepts are related to each other. High reliability does not necessarily guarantee high validity, but high validity requires high reliability. In this section, the process of how reliability and validity is assured in this thesis is discussed.

3.4.1 Reliability

To ensure the reliability of this report, so called triangulation was used. Triangulation means, according to (Jick 1979), that several methodologies are combined to study the same phenomenon. This has been used thoroughly in the study. In the International Market Analysis, both a multitude of interviews with different market actors as well as literature and statistics have been used. The Analysis of Success Factors is based on three different companies and the Sustainability is based on different literature sources. An intended exception is the Selection of Target Countries, Section 5.1, where the data for analyzing geographical markets are all taken from the same data sources, in order to make the data comparable.

The potential reliability risks of confirmation bias as well as tendentiousness and hidden agendas with the many interviewees were acknowledged and addressed. The confirmation bias, described by Nickerson (1998) as the bias towards confirming existing hypothesis when seeking new information, was minimized with interview templates with neutral questions and

a continuous focus on paying attention to new, deviant information. To encounter the tendentiousness, a large number of interviews were made and they were held with different market actors. To address the possible hidden agendas, it was made clear in each interview that it was a mere research study and that there were no intention of competing, purchasing or selling.

3.4.2 Validity

The result of this study is a qualitative solution to Mezmerize-e's problems. This means that the quality of the report could not be estimated with numbers, which makes the process of validation more complex. A common division of the validity concept is according to Chung (2004) to divide the concept into internal- and external validity. Internal validity refers both to how data was assembled and selected, but also to how this data is analyzed and interpreted. External validity refers to the generalizability of the study, i.e. if the study could be used in other contexts. The aim of this report was to make it both internally and externally valid.

The literature used in this report has been carefully selected in order to be relevant and reliable, which in length helped assure the validity of the study. The foundation and main thesis questions of this study were outlined in cooperation with Mezmerize-e and Jonas Hjerpe, and literature was selected in order to help answer the thesis questions of the thesis. An advantage of this is that literature meant for other purposes is avoided. The books used in this study have mainly been course books from Industrial Engineering and Management, and books or publications from the libraries at Chalmers University of Technology and the University of Gothenburg. Internet sources have been used carefully, and have mostly been from government agencies and well-known private actors.

Statistical databases have also been used as a secondary source of data. To ensure consistently high data quality only highly respected databases such as Eurostat and Euromonitor have been used as sources for quantitative statistics. For each type of data in the Selection for Target Countries, solely one source of data was used, in order to reach comparability. Comparability is, according to Hutt & Speh (2009), a requirement to create segments that are valid.

Interviews, in person and by telephone, are a type of primary sources that have been used to a high extent in this study. Information from this type of sources is often subjective and it is according to Eriksson & Wiedersheim-Paul (2008) difficult to avoid the interviewee's personal opinions in the answers, conscious or not. Therefore the analysis has never been based solely on a single oral source, but is instead based on the principles of triangulation. In addition, the analysis of statistical data from electronic databases was made prior to the interviews, in order to get to know as much as possible about the market at an early stage. This initial knowledge was useful when interpreting the results from interviews, but also a prerequisite to be able to perform good interviews.

The newness of the market for e-commerce extensions in general, and Mezmerize-e's product offering in particular, had impact on the requirements on data assembly process for reaching validity.

3.5 Summary: Methodology

Based on this methodology, the workflow of this study will be possible to recreate in order to answer the questions of the study and its sub studies. The method shows that regard has been taken to the uncertainty that different types of sources cause and also to the results that come from different sub studies. The validity and reliability of the study have continuously been evaluated during the work process. To be able to select relevant data an accurate literature study had to be made and relevant quantitative data had to be assembled, which will be the foundation for the further work with answering the questions of this thesis.

4 Theoretical Framework

This chapter will explain the theoretical frameworks that were selected and developed in order to analyze the empirical findings. The first part will describe the internationalization model for software companies containing an international market analysis including theory for selecting target countries, international customer- and competitive analysis. The last part will further explain two frameworks for analyzing the environmental aspects of the extensions industry.

4.1 The Internationalization Model for Software Companies

The Internationalization Model for Software Companies is a customized internationalization process for software companies. The model constitutes of three parts. The first part of the model aims to identify the most suitable internationalization path for a firm, based on its resources and capabilities. The model presents three major pathways for internationalization, Born Global, Collaborative Growth and Organic Growth and criteria for how to decide which pathway to pursue. It further describes necessary prerequisites and possible accelerators for successful and rapid growth during each of the three internationalization pathways. The second part of the model provides an analytical basis for strategic choices concerning market, selection of entry mode, customers, competitors, channels and partners. The third part of the model supports the planning process of the internationalization strategy.

The first and third parts of the model are not applicable since they regard questions that are not relevant for the purpose of this thesis. This report will consequently focus on the second part of the model, which constitutes an international market analysis, with focus on selecting target countries and conducting an international customer- and competitive analysis. The following sections will explain the theory of part two in more detail.

4.1.1 Selecting Target Countries

An initial phase of the internationalization process is to identify appropriate target markets to expand in (Äijo, 2005). According to Albertsson & Lundqvist (2006) segmentation can be used to isolate attractive target markets. They define segmenting as the process of identifying homogenous segments from a larger heterogeneous population. These segments are separated by different segmentation variables. This means that customers within a segment are expected to react in similar manner to various market stimuli and can be treated as a larger uniform group.

A valid segment should be measurable, accessible, substantial and responsive. Measurability describes the degree to which information on the particular buyer characteristics exists and can be obtained. Accessibility defines the degree to which the firm can effectively focus its marketing efforts on chosen segments. Meanwhile substantiality expresses the degree to which the segments are profitable enough to be worth considering for separate marketing cultivation. Responsiveness explains the degree to which the segments respond differently to different marketing mix elements, such as pricing and product features. Consequently, the segment that is the most measurable, accessible, substantial and responsive is the most desirable segment to access (Hutt and Speh, 2009).

When trying to isolate a target market from a population of all potential customers Hutt and Speh (2009) advice to macro segment the population after macro variables such as market size, growth and geographical location. Äijo (2005) advocates a similar approach for macro segmentation for the software industry. However, he also emphasizes the importance of a maturity variable and argues that countries technology adaption and usage are essential factors when evaluation a target country. The largest market is therefore not necessarily the best segment since the percentage of Internet usage within the population could be very low. Likewise, a smaller market could be as good if it has a higher degree of Internet usage and further developed e-commerce.

In order to evaluate the most suitable target countries for Mezmerize-e four segmentations variables were developed to match the prerequisites of the firm and the characteristics of the extension industry. Mezmerize-e's need to reach large sales volumes led to that market size was the most important geographic segmentation variable, measured as *The total turnover of the e-commerce sector*. To be able to see if the biggest markets also were mature enough, *The e-commerce sector's shares of the markets total retail sales* was chosen as the second segmentation variable. The third variable was selected to measure how demanding the end customers were for extensions by the measurement *Turnover from e-commerce per customer*. This was determined by combining *Online sales per customer per annum* and *Proportion of the population that use e-commerce*. In addition, *The countries' e-commerce market growth* was selected as the fourth criteria since it can be seen as an indicator of how the market is developing. Consequently, these four variables will be used to compare and rank the different target markets inter mutual. Markets with higher scores will be classified more suitable than markets with lower scores, which means that the most appropriate markets will be identified meanwhile other markets will be disregarded as inferior choices.

4.1.2 International Customer Analysis

The next step of the internationalization process is to identify the most suitable customer groups within the target countries. According to Hutt and Speh (2009) this can be done through micro segmentation. They describe micro segmentation as a process where the populations are segmented even further through micro variables. As a result micro variables revolve more around the buying organization, -behavior and -situation. Consequently, suitable micro variables could be specific industry characteristics, sale channels or different life cycle phases. When evaluating micro segments, much of the same criteria for the macro segments are used. These criteria are measurable, accessible, substantial and responsive.

In order to identify suitable micro segments for Mezmerize-e to target a micro segmentation model was developed. Since Mezmerize-e has no significant market presence, and aim to grow rapidly, they need to identify customer segments that are easily accessed. Consequently accessibility and available sales channels are the primary segmentation variables.

Two factors were found to drive the accessibility of a market segment in the extension industry. These two were the technical nature of the platform and whether the online stores use external solution providers or develop internally. There are two types of platforms, open and closed. The difference between these two types of platforms is that the open platforms are

defined as platforms with extension markets and communities, which can be implemented by both internal and external solution providers. The closed platforms are either platforms that are developed by solution providers but are not open, or a unique solution developed internally by an online store. With respect to these variables a micro segmentation model was developed which is depicted in Figure 1.

	External solution provider Solutions developed and serviced by an external consultant	Internal solution provider Solutions developed and serviced by internal resources
Open platform Platforms like Magento, Prestashop	Open external	Open internal
Closed platform Others, proprietary or unique solutions	Closed external	Closed internal

Figure 1. The Micro Segmentation Model for International Customer Analysis.

The model divides the market into four different segments, open platforms with external solution providers, closed platforms with external solution providers, open platforms with internal solutions and finally closed platforms with internal solutions.

In order to evaluate and prioritize among these micro segments an evaluation model was developed. The starting-point was that the segments should be evaluated based on their potential to generate a high-expected profit for Mezmerize-e. Based on this and on the theoretical criteria of measurability, accessibility, substantiality and responsiveness, a theoretical profit function with five different variables was derived, which is presented in Figure 2.

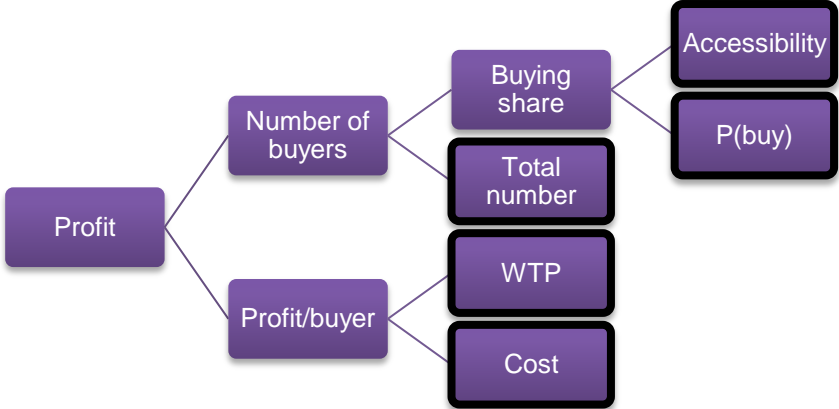


Figure 2. Profit function for evaluation of the segments in the Micro segmentation model.

These input variables can be treated as evaluation criteria. By breaking down the expected profit per segment into mutually exclusive, collectively exhaustive sub-components, five measurable criteria were identified. The criteria are described in further detail in Table 2 presented below.

Table 2. *Description and Measurement of the five criteria.*

Criterion	Description	Measurement
Accessibility	How large fraction of the customers is possible to reach, given Mezmerize-e's budget constrains?	Measured as a share, $0 < x < 1$. For practical reasons low/medium/high is used
Probability of purchase	If a customer is reached, how likely is it that they will buy the product?	Measured as a share, $0 < x < 1$. For practical reasons low/medium/high is used.
Total number of customers	How many customers are there in total?	Measured as a number. For practical reasons low/medium/high is used.
Willingness to pay	How much are these customers (on average) willing to pay for the product?	Measured in €. For practical reasons low/medium/high is used.
Cost per sales	How much does it (on average) cost to do the technical tuning required to install the product?	Measured in €. For practical reasons low/medium/high is used.

In the evaluation process a segment was deemed suitable if accessibility, probability of purchase, total number of customers with willingness to pay were relatively high and cost per sales relatively low. Likewise, a segment was categorized less suitable if the accessibility, probability of purchase, total number of customers with willingness to pay were relatively low and the cost per sales were relatively high.

4.1.3 International Competitive Analysis

The competitive situation at the market for e-commerce extension will be analyzed using Michael Porters framework, "Five forces analysis". Porter's (1980) framework consists of five parts, also known as competitive forces. It aims to highlight the multiple sources of competition. These five forces of competition arise from rivalry among competitors, the threats from new entrants and substitute products and the bargaining powers from buyers and competitors. These forces all puts pressure on the firms whose competitive situation is analyzed, as seen in Figure 3.

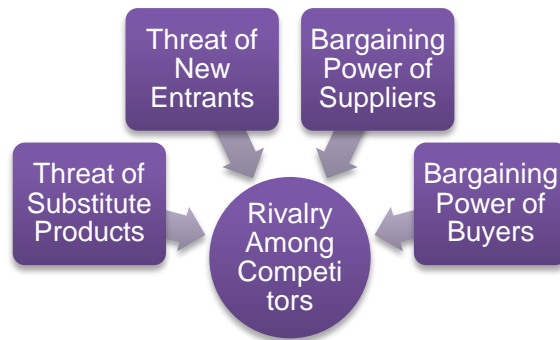


Figure 3 Porter's five competitive forces

Rivalry among competitors refers to competitions between existing firms that sell the same type of products on the same markets. This type of competition is according to Porter (1980) often easy to observe and most firms has a good knowledge about what direct competitors they have.

Porter (1980) claims that the competitiveness of an industry also is determined by the threats of new entrants or substitute products. If there are low entry barriers, the level of competitiveness is likely to be high, or at least be increasing. In the same way industries to which there exist substitute products often becomes more competitive than other industries, all other factors the same. Christensen (2003) also claims that substitute products that have a disruptive nature often make the price competition within the old industry become very intense.

Finally, Porter (1980) also highlights the competitive pressure that is put on firms from its suppliers and buyers. A firm's suppliers could affect the costs, risk and possibilities a company has by e.g. changing input prices, being an insecure source of input or having high switching costs. The pressure on the industry competitiveness caused from the bargaining power of customers is affected by the buyer's switching costs, price sensitivity and the concentration ratio among buyers.

4.2 Sustainability

In this section a presentation will be made of the theoretical frameworks that will be used as foundation for the analysis of sustainability problems and possibilities for the development of e-commerce and extensions. Initially, sustainability is defined in line with the Report of the World Commission on Environment and Development (1987) stated below:

"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Slack *et al.* (2010) divides sustainability into three dimensions, which will be used to emphasize the multifaceted nature of the concept. The three parts of the framework are environmental-, social- and economic sustainability. First, environmental sustainability is defined as the process of assuring that the natural resources, ecosystems and water will be preserved. Second, social sustainability is defined as the process of building a society where basic human needs are fulfilled for all. Issues of social sustainability include access to

healthcare and human right issues. Third, economic sustainability means that scarce material and human resources needs to be managed in a sustainable way for present and coming generations.

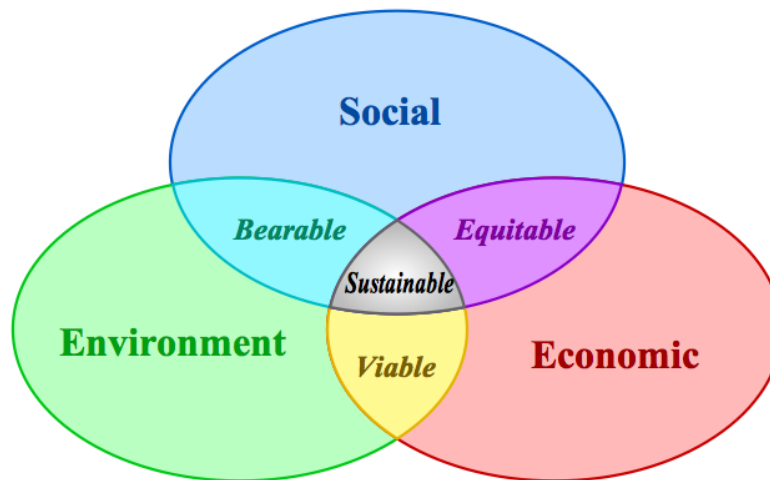


Figure 4 *The three dimensions of sustainability, World Conservation Union (2006)*

As seen in the illustration above, Figure 4, all three sustainability dimensions need to coexist in order to reach a completely sustainable development. There are also some subsets where one or two dimensions are sustainable, but not all three of them simultaneously. The intersections where two dimensions are sustainable at the same time are called bearable, equitable and viable, according to World Conservation Union (2006). A development is bearable if it is both socially and environmentally sustainable, equitable if it is socially and environmentally sustainable and viable when it is environmentally and economically sustainable.

Another way to divide sustainability into dimensions is to do it on a geographical level. This framework is, according to Wilbanks (1994), dividing the sustainability impacts into global, national and local impact. The benefit from this approach is that it gives an additional dimension to the analysis of sustainability impacts. Local impact is the impact a certain act or process has on its immediate surroundings. There is no established definition about how big the local area is. In this thesis, local impact will be defined as the impact on the neighborhood, village or city in which the influence takes place. The national impact is the influence on the nation in which the impact happens, while the whole world, including both land areas and seas, is included in the global level. The two sustainability frameworks, Slack *et al.* (2010) and Wilbanks (1994), will be combined into a matrix when addressing the environmental aspects of the extension market in Section 5.4.

4.3 Summary

The *Internationalization strategy for software companies* will be used to support the internationalization process of Mezmerize-e. Since the model is extensive whereas the purpose of the thesis rather narrow, only the second part of the theory will be applied, more specifically, selecting target countries, international customer analysis, and international competitive analysis. To assess the selection of target countries, macro segmentation theory

will be used in combination with an evaluation model. The international customer analysis will rely on micro segmentation theory, a micro segmentation model, and an evaluation model. The international competitive analysis will be based on porter's five forces. The environmental aspects of the extension market will be analyzed through the three different dimensions social, economical and environmental and their impacts studied on the three levels global, national, and local.

5 Research Findings and analysis

This chapter presents research findings and analysis of the different sub studies. The chapter is divided in five sections, one for each sub study. The Selection of Target Countries identifies which European markets that would allow Mezmerize-e to gain the most rapid growth. The International Market Analysis maps the current market situation in terms of sales channels, customer segments and competitive situation. The Analysis of Success Factors identifies critical success factors for comparable companies in similar countries. The Sustainability Analysis explores how the development of e-commerce and extensions affect sustainability. Finally, the Internationalization Strategy uses the findings of the other sub studies to formulate an internationalization strategy for Mezmerize-e.

5.1 Analysis for Selecting Target Countries

This section will present the results from the macro segmentation and identify national markets that will allow Mezmerize-e to gain the most rapid growth. The national markets will be analyzed from the four criteria that were identified in Section 4.1.1 as the factors that decide market attractiveness. These factors are:

- Total turnover from e-commerce
- E-commerce as a share of the total retail sales
- Turnover from e-commerce per customer
- E-commerce growth

5.1.1 Total turnover from e-commerce

Mezmerize-e's need to reach large sales volumes means that the most important geographic segmentation variable is the market size. Thereby, *total turnover of the e-commerce sector*, is an appropriate segmentation variable.

Euromonitor (2012) data shows that three of the markets were significantly larger than the other. The markets in United Kingdom, Germany and France counted for 71 % of the region's total e-commerce turnover, as seen in Figure 5. The United Kingdom market itself counts for 30 % of the total turnover, while the German and French markets counts for 22 % and 19 % respectively. The fourth biggest market, the Benelux (Belgium, Netherland and Luxemburg combined), is only a third of the size of the French markets, and about a fifth of United Kingdom market.

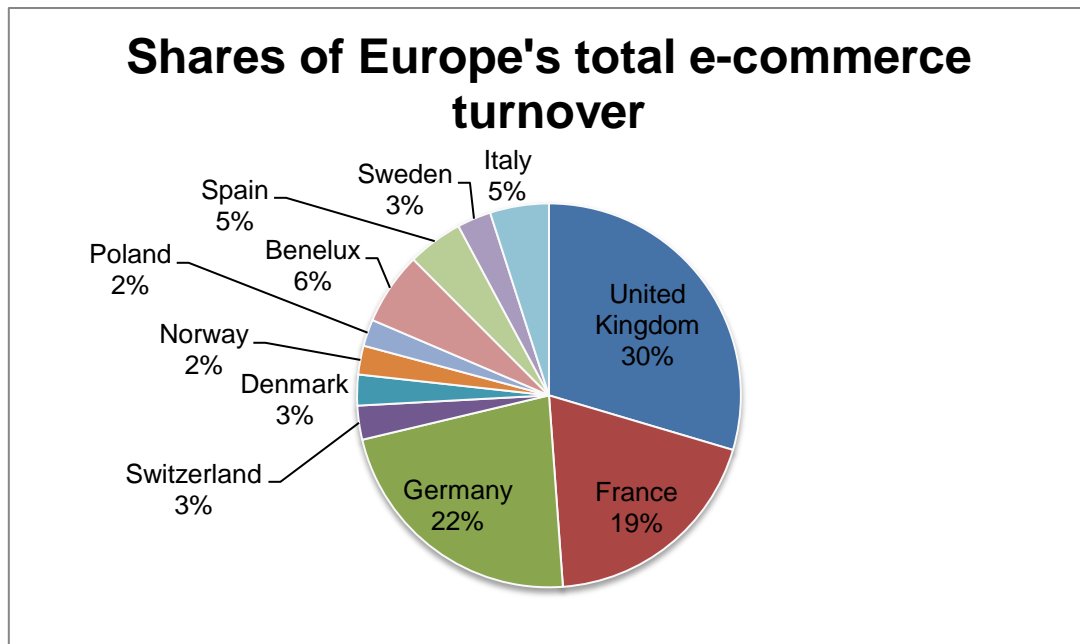


Figure 5 The examined countries share of the total e-commerce turnover, Euromonitor (2012)

The relative largeness of the three biggest markets makes it clear that an entry on these three markets would give Mezmerize-e the possibility to reach online stores that are a majority of the European market's total turnover.

5.1.2 E-commerce sales as a share of the total retail sales

To evaluate whether or not the biggest markets also are mature enough, *the e-commerce sector's shares of the total retail sales* will be used as the second segmentation variable. It will be used as a measurement of the development level of the e-commerce sectors in the selected countries. In other words, the level of development is hereafter defined as the proportion of e-commerce sales compared to the total retail turnover in a market.

The figure below shows that the e-commerce sector has the highest degree of development in United Kingdom. Further, the e-commerce sector in Germany, Switzerland, Denmark and Norway are also higher than the average share of e-commerce in the examined area. The French share is slightly below the average share, but still a higher level than for Sweden, Mezmerize-e's current market. On the lower end of the spectrum, the Spanish and Italian e-commerce sector has a low share of the countries' total sales volume.

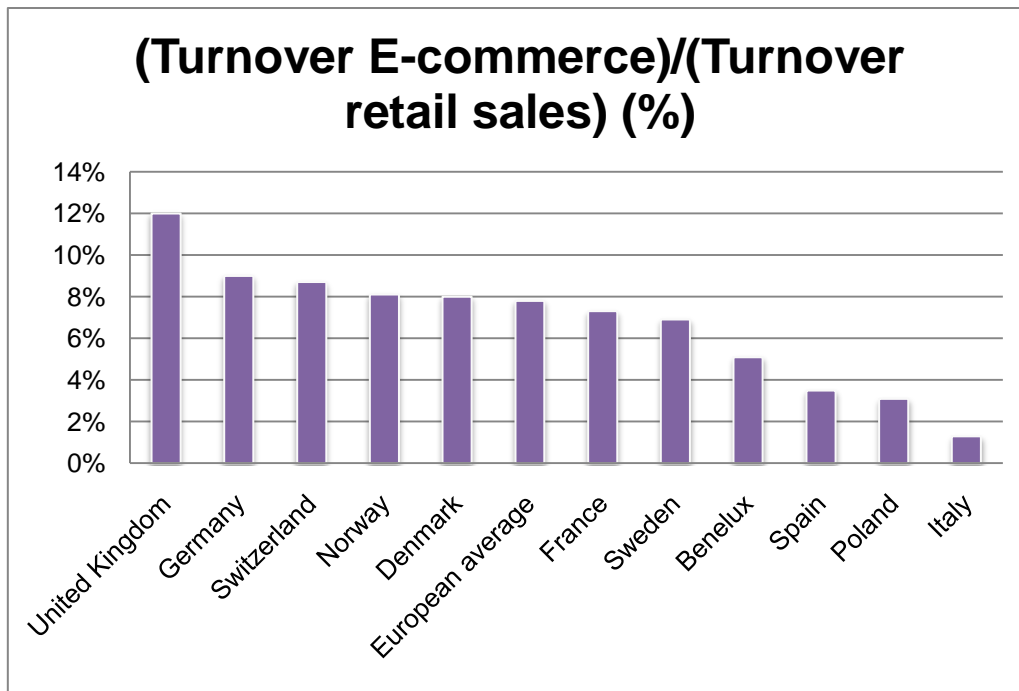


Figure 6 Share of e-commerce as a share of the country's total retail sales, retrieved from Euromonitor (2012).

The most developed e-commerce sectors can be found in United Kingdom, Germany, Switzerland, Norway and Denmark. In these markets *the e-commerce sector's proportion of the total retail sales* is about three times as high as in the countries in the lower end of the scale. One can assume that the users in more developed countries are more demanding regarding design and functionality of the online stores. Therefore, it is more likely that online storeowners in these countries are looking for extensions to increase their sales.

5.1.3 Turnover from e-commerce per customer

How much an average customer on the selected markets spends on online shopping is relevant for Mezmerize-e to consider, since it can further help to give an indication of how demanding the end customers on the specific market are. It could be expected that customers that spend a lot of money on online stores also have higher demands for design and functionality. Another relevant indicator for the purchasing behavior of customers is the proportion of the population that uses e-commerce. This is because a high value could imply that the population has high expectations and demands for design and functionality.

According to our model, United Kingdom, Denmark, Norway and Germany are the most mature markets measured by customer purchasing behavior, since they are placed in the top right corner of the chart below. In these countries 55 % of the customers use e-commerce and spend on average €1700 or more annually. In opposite, Poland, Spain and Italy seem to have, by our definition, an undeveloped e-commerce market, since only a small share of the population use e-commerce and these customers on average spend little money on purchases.

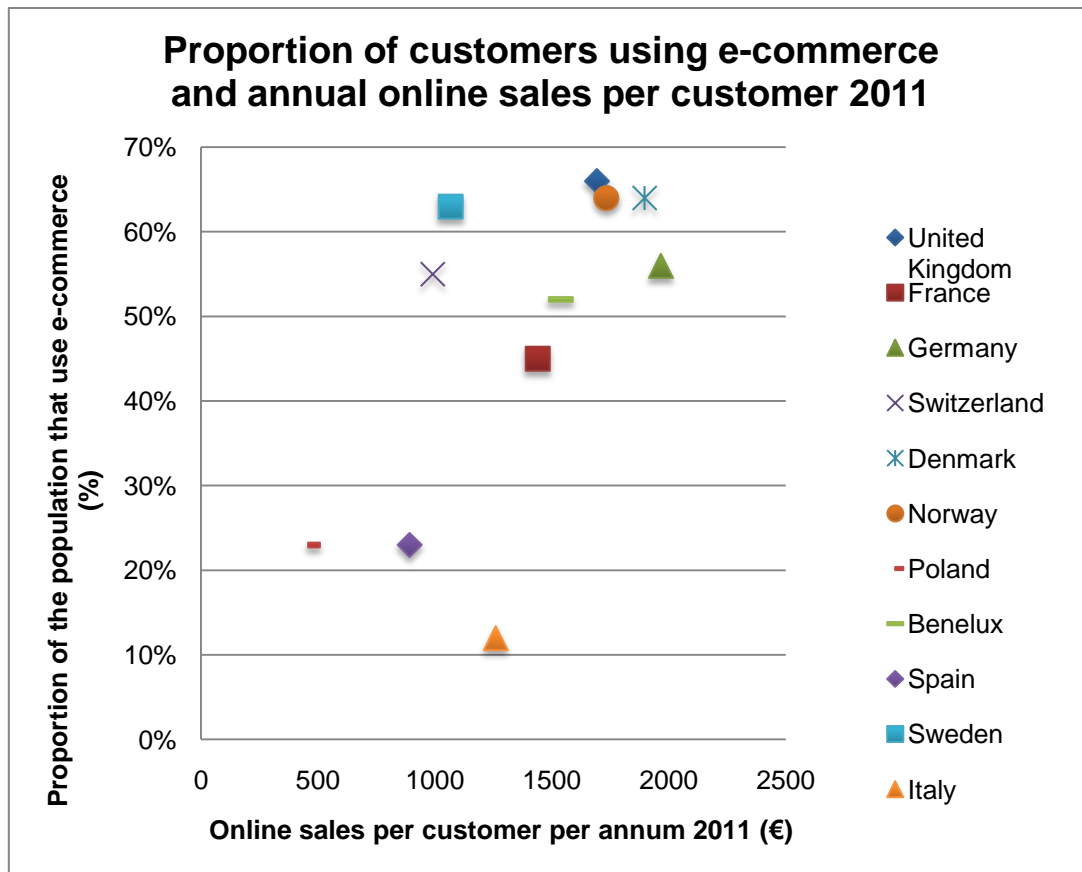


Figure 7 Proportion of customers using e-commerce and annual online sales per customer 2011 (€), retrieved from Eurostat (2012) and Euromonitor (2012).

5.1.4 E-commerce growth

The countries' *e-commerce market growth* was selected as the fourth criteria since it indicates the market development. On expanding markets, it is likely that the actors on the market are looking for new solutions, such as extensions, to manage the increased demand. On contracting markets on the other hand, where there is a high degree of competition and the actors have problems getting profits, the demand for extensions likely decrease according to Deckert (2012).

According to Euromonitor (2012) data, Internet sales have grown faster than retail sales through physical stores, with sales across Europe growing by 67 % on average from 2008 to 2011 alone. Further on, Euromonitor (2012) estimates that the e-commerce market will continue to grow by 16 % during 2012. The European Commission's (2012) action plan about e-commerce development aims to double the volume of goods sold through the Internet during the period 2012-2015.

Even though the e-commerce sector is growing rapidly throughout the region, there are some parts where the growth rate is even higher. The most extreme example is Poland, where the growth rate is about 34 %. In France, that has the third largest e-commerce sector turnover in Europe, the growth rate is 24 %. In United Kingdom the growth rate is about 14 %, which is the lowest in the region.

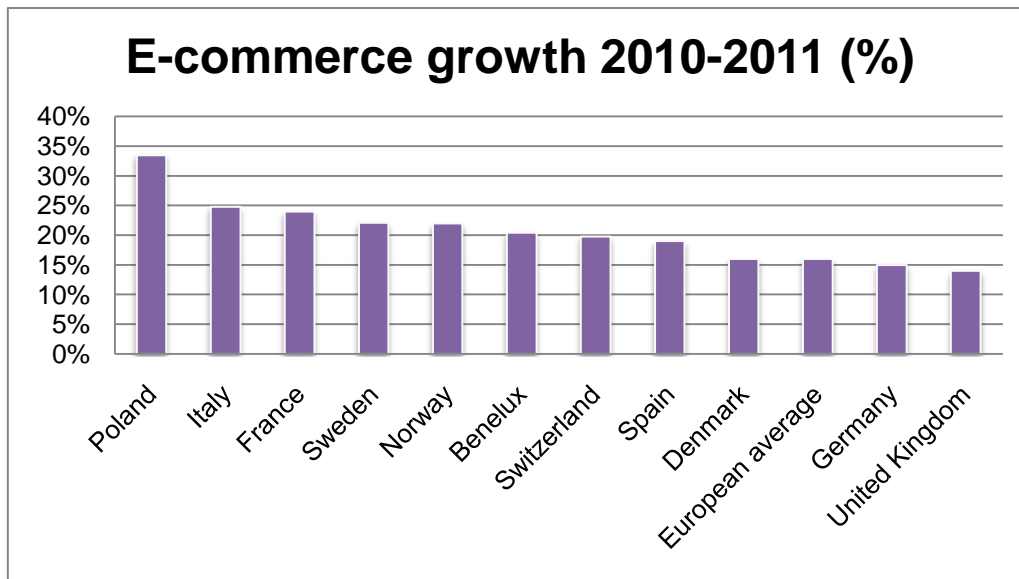


Figure 8 Growth rate of the e-commerce sector, Euromonitor (2012).

In general, markets with a currently low degree of e-commerce development seem to have a higher growth rate than more developed markets, such as United Kingdom and Germany. This is unsurprising because these markets could be assumed to have a lot of unrealized potential and are growing from low levels. Still, the growth rate throughout the region is high, even in the countries with the lowest growth rate (14 %, compared to 16 % on average in the region). Because of this, the growth criterion does not exclude any country from the list of appropriate markets. This is since Mezmerize-e's goal is to grow quickly today, and thus, the future development is not as important, as long as the markets are not contracting.

5.1.5 Aggregated market analysis

Mezmerize-e needs to find a market that is large, while at the same time being mature and showing a sufficiently high growth rate. The main criterion for the choice of geographical markets is size, which makes the markets in United Kingdom, Germany and France the main point of interest. These three markets make up 71 % of the total e-commerce turnover in the analyzed area, which means that Mezmerize-e can reach a major part of the online stores solely through focusing on these countries.

In addition, the markets in United Kingdom and Germany are the most developed markets in this study, while France has an e-commerce share of retail sales that is about the same as the European average. As derived by studying the turnover from e-commerce per customer, United Kingdom and Germany also have customers with purchasing behavior that could increase the demand for extensions and are therefore good markets for Mezmerize-e. The French market is also in the higher end of the developed markets, though a bit lower than United Kingdom and Germany. On the other hand, the French market has a growth rate that is the third highest within the union, and in combination with a large market size it is a suitable market in accord with Mezmerize-e's requirements. Norway, Denmark and Benelux are also developed markets, with numbers indicating a high turnover per customer and therefore suggesting a desired purchasing behavior. The relatively small population of these countries is seen as a limitation, as it decreases the amount of possible customers.

Table 3 Table of the used data, retrieved from Euromonitor (2012).

	Total turnover from e-commerce (€)	(Turnover E- commerce)/ (Turnover retail sales) (%)	E-commerce growth 2010-2011 (%)
Measure	Market size	Maturity of the market	Market potential
Importance	1	2	3
United Kingdom	€ 59.42 bn	12,00%	€ 1,693.65
Germany	€45.07 bn	9,00%	€ 1,967.02
France	€38.66 bn	7,30%	€ 1,440.84
Benelux	€12,25 bn	5,10%	€ 1,539.32
Italy	€ 9,96 bn	1,30%	€ 1,261.03
Spain	€ 9,37 bn	3,50%	€ 892.87
Switzerland	€ 5,74 bn	8,70%	€ 991.40
Sweden	€ 5,74 bn	6,90%	€ 1,068.20
Denmark	€5.21 bn	8,00%	€ 1,897.02
Norway	€4.88 bn	8,10%	€ 1,733.89
Poland	€4.51 bn	3,10%	€ 457.64

As previously discussed, and shown in the table above, three markets within the examined area are more appropriate for Mezmerize-e than the others. These markets are United Kingdom, Germany and France.

5.1.6 Summary

According to our findings and analysis, United Kingdom and Germany are the most attractive markets, followed by France. These markets are the most attractive mainly because they are the largest in the European Union. The end customers on these markets also have characteristics that indicate a demand for e-commerce extensions. Finally, the markets also show sufficiently high growth rate and degree of development.

5.2 International Market Analysis

This section presents the result from the International market analysis. The results are divided into three parts, where the first part aims to identify sales channels for extensions and evaluate them. The second part is an international customer analysis of the three geographical markets, selected in Section 5.1. Each country's customers will be segmented into the four segments from the segmentation model described in Section 4.1.2. Each segment will then be analysed from the five criteria, described in the same section, identified as the factors that characterize a segment in which Mezmerize-e could become profitable. Each criterion is valued in a three-step scale, with the values low, medium and high. Also, an assessment of the criteria together is made. The last part contains an analysis of the competitive situation on the market for extensions. The analysis will be based on Porters framework, described in Section 4.1.3.

5.2.1 Identification of Sales Channels ⁷

Mezmerize-e did during their test sales on the Swedish market identify three different primary sales channels. The sales channels were sales through external solution providers, direct sales and sales through extension markets. External solution providers are the web developers or system integrators that create, program and develop the technical side of the online stores on behalf of their clients. To use solution providers as sales channels would mean to form a relationship with them, so that they in turn could recommend Mezmerize-e's product to their customers. The direct sales channel means to sell directly to the online stores while the extension market means to sell through some kind of extension market on the different platforms. Both direct sales and extension market mean that an internal solution provider implements the extension.

Partnerships with solution provider could be a good "multiplier", i.e. a way of reaching many customers quickly and for a low cost. Most solution providers implement extensions on their customers' online stores frequently as a fast way of getting access to good functionality for a lower development costs. However, it is still the online stores requirement of functionality that control what type of extensions the solution provider add or search for. In almost all interviews with solution providers, third part solutions were seen as an opportunity rather than a threat.

It is, according to solution providers, rather easy to convince customers to use extensions instead of developing the functionality themselves; since there are large cost advantages from using standardized extensions. The cost per hour for external IT development is approximately €30-100, which means that an entire solution of "normal" size could cost about €1000 to develop. This could be compared to buying the same functionality through an extension for on average €500. The market experts, as well as the interviewed solution providers, pointed out the importance of proved quality, reliability and brand awareness before using any extensions. This, since they did not want to implement something to their customers online stores that would not work properly.

Making the extensions available in an extension market requires the lowest customization costs of the three sales channels. The integration is only made once for the platform of the extension market and could further be downloaded by solution providers or internal developers for online stores. Optimally, the extensions are completely compatible from the start. However, it is often the case that the extensions require some integration during the implementation, which often is performed by the solution provider or the internal developer. For this reason, online stores and firms that develop extensions states that offering a support function during the implementation could be an order winner. Making the extensions available through solution providers with many customers on closed platforms could provide a similar cost lowering effect as putting it on the extension markets, as the cost per implementation is lowered.

⁷ This section is based on interviews with Mezmerize-e, Fleck, Humeau, Karlsson and additionally 13 solution providers and 19 online stores and 3 extension developers.

For Mezmerize-e, the most difficult part in this channel is to stand out between all extensions that are available in the extension markets. The three largest markets for open platforms, i.e. Magento Connect, PrestaShop and OsCommerce, have approximately 12 000 extensions together. As previously mentioned, secured reliability and quality could also be a way of building trust among the solution providers. To get a picture of the overall quality of the current extensions on the extension market, only 200-300 of Magento Connects 5000 extensions have proven their quality to be really useful and easy to implement in practice according to a solution provider. A trend on the extension markets is that high quality extensions are highlighted in order to help and guide customers in the extension market. For instance, Magento has a quality check and marks extensions that are reliable with “Trusted Extension”.

The most time-consuming and expensive channel is direct sales, because the customers need to be contacted one by one, as opposed to reaching many through the extension market or the solution providers connected to the platforms. Direct sales could on the other hand be a good sales channel to reach reference customers in an initial phase of the product development. The reason for this is that smaller online stores could contribute with important information about improvements before reaching larger customers segments. Also, it could be necessary to spend time and energy on direct sales initially, since few are willing to take the risk that comes from a new product from an unknown developer.

5.2.1.1 Summary: Identification of Sales Channels

Solution Providers, Extension Markets and Direct Sales were the three sales channels that were identified. Out of these, Extension Markets is the channel that requires the lowest integration costs. The difficulty of choosing this channel is that it is hard for Mezmerize-e to get attention among all the extensions that are available. Through partnerships with solutions providers it is possible to reach a lot of potential customers, but the extensions have to be reliable and have proved quality before the solution providers are interested in recommending the product. Direct sales are both costly and time-consuming since each sale requires direct contact with the online store. However, direct sales could be necessary to find reference customers that could help to improve the quality of the extension initially.

5.2.2 International Customer Analysis United Kingdom

The e-commerce market in the United Kingdom is a large and mature market, pointed out by interviews and indicators such as large total revenues from e-commerce and a high ratio between e-commerce and the total retail revenue, Euromonitor (2012). Further, the United Kingdom is a large market with approximately 200 000 online stores. The segmentation model was verified to be viable in the United Kingdom, as all interviews pointed towards that it was appropriate to divide the market by the two categories open/closed platform and external/internal development.⁸

The findings from the United Kingdom are structured according to the four segments with a short description of what characterizes the segments and for which reasons customers are in

⁸ The segmentation model was verified by interviews with Fleck, Karlsson, Deckert and additionally 6 solution providers and 5 online stores in United Kingdom.

the segments. The five criteria are evaluated with respect to how they together affect the expected profit. The data from which the analysis is made is primarily interviews, see Appendix 8.2 for a summary of the different interviewees. Additionally, publicly available statistics has been used.

One finding that applies to all segments is that the cost of sales is lower in the open segments than in the closed segments. This is natural as the cost of sales, the average cost to customize the product per sale plus the work required for contacts with the customer, depends on technical circumstances; how many online stores that can use the product after a customization. Another finding that applies generally in the United Kingdom is that the interviewees seemed well informed and aware of third party extensions. This was particularly true among the external solution providers.⁹

5.2.2.1 Open External¹⁰

The open external segment contains online stores that are based on open platforms, developed by external solution providers. According to the interviews, this segment has very good outlooks of profitability for Mezmerize-e, since all criteria are considered high.

According to the interviewees, this segment contains the largest number of online stores. The segment is also accessible through all three identified sales channels, which means that Mezmerize-e can reach customers through extension markets, solution providers and direct sales. The cost of sales in this segment is low, since the platform is standardized and the extension does not need to be customized for each installation. Thus the variable costs per sold extension to a specific platform are low.

The online stores in this segment vary in size but when they look for new functionality they most often discuss such matters with their solution provider. From the interviews with solution providers, 40-50 % of the times when a solution provider recommends an extension, it is a third party solution. Otherwise the online stores receive an extension developed by their solution partner. Assessing these factors the probability of purchase is considered high in this segment. Since the stores in this segment are large enough to hire external developers, they could also be expected to be large enough to afford extensions. Thus, customers in this segment have a high willingness to pay.

5.2.2.2 Open Internal¹¹

The open internal segment contains online stores that are based on open platforms, but developed internally. The segment seems to be quite small, although the existing customers seem profitable.

There are two primary reasons of why online stores choose an open internal solution. The first is the inability to afford external services but internal competence, while the second is that the

⁹ This paragraph is based on interviews with 6 external solution providers in United Kingdom.

¹⁰ This section is based on interviews with Fleck, Humeau and additionally 10 solution providers, 4 online stores and 7 extension developers.

¹¹ This section is based on interviews with Fleck, Humeau and additionally 1 solution providers, 1 online store and 3 extension developers.

design of the online store is considered to be of crucial importance. The former are typically smaller and the latter are typically larger shops. According to one interview, this segment is about 10-30 % of the open source platforms on the markets in United Kingdom, Germany and France. Thus, it is a quite small segment with low potential volumes. The whole segment is accessible through the extension markets and direct sales, which means a medium accessibility. A difficulty is that there is no easy way to identify what online stores that belong to this segment, especially if they are developed externally or internally. This affects the accessibility of this segment as it could trouble Mezmerize-e when they are scanning the market for this segment, in particular when looking for direct sales. However, this is only an issue if they think it is relevant to isolate the segment in their marketing.

Although the segment is small, the willingness to pay is medium among small online stores and high among larger customers. This is because the large online stores projects have a large budget for online store development in relation to the extension cost, compared to smaller online stores. Combined with the fact that the cost of sales for Mezmerize-e in the segment is low due to the openness of the platform, it means that the firm is likely to make profit from the customers that buy the product. Further, the probability to purchase was thought to be medium in the whole segment. This was motivated by that the customers in this segment have the alternative to obtain certain functionality by developing it themselves, although they could also see extension as a way of saving time.

5.2.2.3 Closed External ¹²

The closed external segment contains online stores that are based on closed platforms, developed by external solution providers. It has low potential for profit, due to high cost of sales and low willingness to pay. The other criteria are estimated to be medium.

The closed external segment seems to be smaller than the open external, although still quite large in absolute numbers. The majority of online stores use open platforms, and the trend seems to point towards an increased share of open platforms. The typical online store in the closed external segment uses a proprietary solution, where a solution provider has developed an own platform and implements it with a limited amount of customers. Typically, no extension markets exist for the proprietary platforms, although solution providers could be used as sales channels. Customers are therefore only reachable through solution providers and direct sales, which means that it has a medium accessibility.

The main reason why customers with external solution providers choose closed platforms instead of open is that it is possible to get an entirely tailored solution. This means that quite many customers are not interested in a third party extension, since they avoid this kind of standardization. However, solution providers can be interested in promoting third party extensions in this segment because it allows them to serve a higher number of customers in less time. In order for this to be possible, the extensions must be fully compatible without any need for adjustments. Taking these factors into account, the probability to purchase is considered to be medium.

¹² This section is based on interviews with Fleck, Humeau and additionally 4 solution providers, 10 online stores and 3 extension developers.

The willingness to pay for this segment is quite low. The reason for this is that it is possible for the solution providers to develop similar functionality on their own, and that purchasing an extension often includes adaptation. The average cost of sales in this segment is high, since the average number of users per platform is less than on open platforms. This means that more time-consuming adaptations are necessary for Mezmerize-e. High cost of sales and low willingness to pay means that it is difficult for Mezmerize-e to achieve positive profit margins in this segment. A possibility to make profit of this segment could be to identify a couple of solution providers with many customers and with high need for extension and partner with them. By adapting this strategy, it would be possible to achieve a lower average cost of sales.

5.2.2.4 Closed Internal ¹³

The closed external segment contains online stores that are based on closed platforms, developed internally. The segment in United Kingdom is difficult to access and brings a high cost of sales, which means that it is not likely to be a suitable segment for Mezmerize-e.

The characteristics of the online stores will be different depending on which reason they have for choosing internal development. The first of the two primary reasons why an online store would choose this approach are either because the design or functionality is of high strategic importance. The other is that the online store could not afford an external solution, but have the competence to develop it themselves. Stores with the first reason are typically large stores, while stores with the second reason in general are small. According to all interviews that were made, this segment is small and the total number of customers is low. The online stores in this segment also lack aggregation platforms and the only way to reach them is through direct sales, which make finding and accessing customers complicated and the accessibility is therefore also low. Also, the cost of sales is high due to the need to customize the product to different actors is high since each customer needs their own integration.

Even though this segment is small, the willingness to pay among larger online stores with a big budget is usually high. Smaller stores naturally have smaller budget and therefore a low willingness to pay. There is some need for extensions in the segment, but a good alternative to third party extensions is to develop the functionality internally and the probability to purchase is therefore considered to be medium. This segment could on the other hand be good in an initial phase when Mezmerize-e needs reference customers. They can contribute with important input to the development of the extension and ensure a good quality before accessing the open segment through extension markets and solution providers.

5.2.2.5 Summary: International Customer Analysis: United Kingdom

Significant in the United Kingdom market is that open platforms seems to have a large and growing market share and that external solutions seem to be more common than internal. The knowledge of third party extension in general seems good, especially among external solution providers.

¹³ This section is based on interviews with Fleck, Humeau and additionally 1 solution provider, 4 online stores and 2 extension developers.

When comparing the different segments, the open external seems to have the largest growth potential for Mezmerize-e. The segment both has the largest number of expected buyers and the highest expected profit per buyer. The open internal could be a usable segment with good profit per buyer. Both closed segments are difficult due to the high cost of sales. The best chance here is in the closed external segment, if solution providers with many online stores as clients have a positive attitude towards third party extensions.

5.2.3 International Customer Analysis Germany

The e-commerce market in Germany has many similarities with the market in United Kingdom when compared to the rest of Europe. It has a large absolute size measured in total revenues from e-commerce and maturity in terms of a high e-commerce of total commerce ratio, Euromonitor (2012). Some interviews indicated that the German market is slightly less developed than the market in the United Kingdom, which is considered to be the most developed in Europe. Overall, the segmentation model was viable in the German markets as it was compatible with the interviewed actors.¹⁴

This section is structured in the same way as the previous described market. The segments are described shortly and evaluated with the five criteria. An overall assessment is made which targets the chances of Mezmerize-e to make profit in the different segments. The interviews that this section is based on could be found in Appendix 8.2.

For the same reasons as in the United Kingdom, the cost of sales is lower in the open segments than in the closed. This is independent of country and is related to the technical circumstances. The German respondents in general seemed knowledgeable about third party extensions.

5.2.3.1 Open External¹⁵

The open external segment contains online stores that are based on open platforms, developed by external solution providers. The segment in Germany is similar to its counterpart in the United Kingdom; it has many benefits and shows good chances of being profitable for Mezmerize-e.

According to several sources, the majority of the online stores in Germany use an open platform. Further, external developers manage approximately 70-90% of the online stores with Magento, one of the biggest open source platforms. This figure is according to other interviewees approximately the same on the other platforms. Thereby the open external segment is the largest segment in the German market, containing a large number of online stores and potential customers for Mezmerize-e. The customers are also reachable through all three sales channels, as in United Kingdom, and the accessibility is therefore high for this segment. Since the need for customization is low on open platforms, the cost of sales are low in this segment.

¹⁴ The segmentation model was verified by interviews with Fleck, Karlsson, Deckert and additionally 7 solution providers and 8 online stores in Germany.

¹⁵ This section is based on interviews with Fleck, Humeau and additionally 10 solution providers, 4 online stores and 7 extension developers.

On the German market the solution providers seem to be more focused on extension quality than they are in the United Kingdom. Good quality means extensions with code that works well and does not require extra work from the solution provider for implementation. One interviewee said that half of his experiences with third party extension were good, while the others half were bad. Another said that the extensions often are not completely compatible with the clients' setup, which meant a lot of extra work with integration. Solution providers recommend third party extensions 10-50% of the time, a little less often than in the United Kingdom. The probability to buy in this segment is therefore quite high, as long as the quality of the extension is good. The willingness to pay is also high, since the cost for extensions is a small fraction of the cost of developing functionality from scratch. Most solution providers in Germany see extensions as good ways of saving time when implementing functionality.

5.2.3.2 Open Internal¹⁶

The open internal segment contains online stores that are based on open platforms, but developed internally. The segment seems to be quite small, although the existing customers seem profitable.

The explanations the German interviewees had for why German firms use internal development are often cost savings, good competence or higher control. These customers are typically found in online stores with low revenues, below €1 million. The total number of online stores is low in this segment, about 10-30 % of the users of Magento, and is approximately the same for other open platforms. On the other hand, one interviewee saw a market trend towards internal development for open platforms instead of using solution providers. One of the main explanations for this trend is increased simplicity in the open platforms. The online stores in this segment are accessible through extension markets and direct sales, which means they have a medium accessibility.

Many online stores in this segment see extensions as ways of getting functionality quick and easy. The main alternative to purchase functionality for firms in this segment is to develop it internally. This could in many cases be expected decreases the willingness to pay, since the cost of developing functionality is lower when using internal personnel than external. However, in some cases it could mean a high willingness to pay, especially if the internal developers are busy and has little time for functionality development. As a compromise, the probability to purchase and willingness to pay are estimated to be medium. The cost of sales in this segment is low, due to the openness of the platform and the low customization cost.

5.2.3.3 Closed External¹⁷

The closed external segment contains online stores that are based on closed platforms, developed by external solution providers. The segment has high cost of sales and low willingness to pay and is therefore less likely to be profitable for Mezmerize-e.

¹⁶ This section is based on interviews with Fleck, Humeau and additionally 1 solution providers, 1 online store and 3 extension developers.

¹⁷ This section is based on interviews with Fleck, Humeau and additionally 4 solution providers, 10 online stores and 3 extension developers.

The typical online store in this segment uses a proprietary solution, where a solution provider has developed an own platform and implements it with a limited amount of customers. Reasons for being in this segment could be a lower price or that it is possible to tailor the online store more to the customers' requirement than with an open platform. The segment is medium sized, as the share of the market that uses closed platforms is quite intermediate.

Typically, no extension markets exist for these platforms, although solution providers could be used as sales channels. Customers are therefore only reachable through solution providers and direct sales. However, in Germany it seems difficult to sell third party extensions through solution providers, as they do not offer more than a few third party extensions for their clients. Mostly, the solution providers seem to develop their own extension that they offer for their platform. With limited likeliness to sell through the solution providers as sales channel, the accessibility is fairly low. The structure described above also affects the cost of sales. This since most closed platforms has quite few users, which means that few new users are reached for each customization of the product. Therefore the number of user on a platform is crucial for how high the cost of sales become. As the willingness to pay is rather low in the segment, the only way to achieve a positive profit margin in is to target the solution providers with a large number of customers.

5.2.3.4 Closed Internal¹⁸

The closed external segment contains online stores that are based on closed platforms, developed internally. The segment in Germany is similar to that in the United Kingdom. It is difficult to make profit from due to high cost of sales and low accessibility.

The reasons for being in this segment in Germany are similar with the United Kingdom, where some large stores have the core competence needed and some smaller stores cannot afford external solutions. Another type was also identified, where a company had their own closed internal store and also developed stores for other companies using the same basis, meaning they also worked as solution providers in the closed external segment. The number of customers in this segment is low based on that a minority of the market uses closed platforms and a minority of these uses internal solutions.

The cost of sales in this segment is high, since every customer needs customization of the product, which requires time and effort. Since no aggregation platforms exist, it is difficult to reach out to many customers with limited resources, resulting in a low accessibility. Also, the probability to buy is quite low, as the developers can develop the functionality on their own. For similar reasons, the willingness to pay is quite low, although it could be motivated to pay for a customized extension to save time. As for United Kingdom, the only way for this segment to be useful is during an initial phase when the online stores can be used as reference customers. With the criteria being negative, this segment is not likely to be profitable for Mezmierze-e in the long run.

¹⁸ This section is based on interviews with Fleck, Humeau and additionally 1 solution provider, 4 online stores and 2 extension developers.

5.2.3.5 Summary: International Customer Analysis: Germany

The German market has strong similarities with the United Kingdom market. The open platforms are a larger segment than the closed and external solution providers are preferred over internal. One noticeable difference is that the German actors seem more focused on quality than in the United Kingdom. This was especially noticeable among the solution providers. The implication for this will be discussed further in the internationalization strategy.

Again, the open external is the best segment from many perspectives. The expected profit is highest, as the number of likely buyer is highest and the average profit per buyer is high. The open internal segment is also likely to be profitable, although its small size limits the possible profit. The closed segments are troubled with high cost of sales and low willingness to pay, which makes it difficult to get high profits per sales.

5.2.4 International Customer Analysis France¹⁹

The French market, in contrast to the German and United Kingdom equivalents, lags behind in terms of maturity. This is shown in Section 5.1 where the figures show a lower rate of e-commerce revenues of total retail revenues, a lower turnover from e-commerce per customer and a lower proportion of the population using e-commerce than in the other analyzed markets. All these figures indicate a lower degree of maturity. This was supported by an interview with an expert in France and with other actors describing the French market. Regardless, it is a large market in total e-commerce revenues compared to rest of Europe.

The data that could be collected through interviews was considerably less for the French market than it was for the United Kingdom and Germany. This is due to the fact that it was noticeably more difficult to get in touch with interviewees in France than in the other countries, as described in Section 3.3.2. Possible explanations for this difference are a larger cultural gap and a lower level of English skills. These explanations were confirmed during interviews with solution providers and extension developers in Germany and United Kingdom that have tried to make business in the French market.

The primary difference from the other two evaluated markets is that the French online stores are more cost focused. The French online stores thereby have a positive attitude towards extensions, since it allows stores to lower total development costs, but they focus on price rather than quality. This is in contrast with the English and German market, where the interviews pointed towards a high quality focus. Another difference that was identified was that the French are not as professional as in the United Kingdom and Germany, displayed in contacts and behavior.

However, the segmentation matrix that was used for the two previous markets is according to the interview viable in France as well. An estimate is that 80 % of the French market is in the external segment. The explanation of the large share was that going internal is difficult and takes lots of competence. The open platforms are estimated to 70% of the market of small and

¹⁹ The section is, if nothing else is indicated, based on interview with Philippe Humeau, CEO of extension developer at NBS Systems (2012-03-19).

medium sized online stores, while the largest online stores mostly uses closed, proprietary platforms. From this, it seems like the open external segment is largest in France, similarly to the other two markets. The open internal segment is identified to be small. This is displayed by the fact that Humeau (2012) did not believe that any of his firm's customers were in the open internal segment, even though NBS Systems have hundreds of customers.

As found in United Kingdom and Germany, partnerships with solution providers and using extension markets are good ways of accessing customers. Further, the accessibility is higher in the open and the external segments. Even though the French were described as cost focused, the willingness to pay in general is quite high for extensions, as long as it is noticeable cheaper than coding own functionality. Additionally, the probability to purchase is equally high in the external and internal segments. It is particularly high in smaller online stores since they need good features at low prices. The cost of sales in the different segments can be assumed to be alike the other markets, since it depends on the properties of the extensions and customers rather than the specific countries. This would mean that the open segments have low costs in general and that the external segments have lower costs than the internal in the closed platforms.

5.2.4.1 Summary: International Customer Analysis: France

Many of the answers points towards similarities with the other two markets, like the distribution of the segments and criteria such as cost of sales and accessibility. Some of the noticeable differences are that the French market is more cost focused rather than on quality and that there are entry barriers from a cultural gap and lack of English skills. Overall, the limited data suggests that the open external segment has the highest potential in France, as in the other markets. Nevertheless, the results from French are flawed by a lack of data, which means that the French results would not be emphasized in the internationalization strategy or recommendation.

5.2.5 International Competitive Analysis²⁰

In this section, the competitive situation in the market for e-commerce extensions will be discussed. The aim is to provide an insight in to how the competitive situation on the market for extensions is today. A recommendation of how Mezmerize-e could position and differentiate themselves from their competitors will not be given, since this is not possible without a value proposition. The competitive situation is related to the segments described previously, and will be discussed on that basis. As the customer sees it, the competition is based around how to achieve a certain type of functionality. This makes the competition different in the different segments as the possibilities to acquire functionality differ.

There are a few different extension markets where extensions for online stores can be purchased. The biggest one is Magento Connect with approximately 5000 extensions. Out of these extensions, one solution provider considered 200-300 of these to be of really high usefulness and quality, which is approximately 1 out of 20. Other prominent extension

²⁰ This section is, if nothing else is indicated, based on interviews with Fleck, Humeau, Karlsson, Deckert, Berg and additionally 1 platform manager, 7 solution providers, 5 online stores and 3 extension developers.

marketplaces include the Prestashop add-on market and Opencart extension market. They currently have around 1400 and 4500 extensions listed respectively.²¹

The market for online store extensions is presently highly fragmented and with no dominating actors. One of the most famous extension developers, mentioned in the interviews, only has a market share of approximately 1-5% on the market for Magento extensions. In contrast, the online store platform market is more consolidated with the market leader Magento having a market share of just above 20 % of the global market for online store platforms.

As understood above, even if there are a lot of extensions available for the most popular platforms, quite few of them could be regarded as direct competitors for a firm that delivers high qualitative extensions. The direct competition becomes even narrower when regarding the aspect that the functionality of these extensions varies widely. Thus, there are big possibilities to diversify an offering from existing competitors. Unfortunately, the problem within the software industry is that most offerings are easy to imitate for competitors. Thereby the benefits from differentiation become smaller, which increases the need for other strategies to enable growth within this industry.

5.2.5.1 Threat of New Entrants and Substitute Products

The current trend on the e-commerce market is that platforms allowing extensions gain market shares faster than the average platform on the rapidly growing e-commerce market. In addition, the awareness of the extension market is growing and the number of solution providers and internal online store developers that use extensions increases. This growing awareness does not only mean that the number of customers increases – it also means that a higher amount of new actors will approach this market. The entry barriers for actors to establish themselves on the extension markets are low, even if it could be considered as much harder to become a successful extension developer. Moreover, there are many who have the competence required to develop extensions, especially among the current solution providers who are used to develop customized solutions for online stores.

Today the most obvious substitute products are the solutions that solution providers develop for their clients. These are often made solely for one customer's use, which causes a higher cost but has the advantage of being more customized for the specific customer's need. In addition, most extensions from extension markets also require some customization by the buyer, which means that the customer's cost of implementing an extension is higher than the purchase price. However, standardized extensions are still more cost efficient than tailored solutions, especially for more refined extensions of high quality.

The main substitute product to extensions, when it comes to the internal segment, is internally developed solutions. This means that the extension developer competes against their customers own IT-departments. It is thereby possible that some internal developers could see extensions as something that threatens their own job. The same argument sometimes applies to external solution providers. An interviewee claimed that he, as a solution provider, wanted

²¹ See further information and statistics about Prestashop, Open Cart and Magento on addons.prestashop.com, opencart.com and magentocommerce.com/magento-connect/

to make the extra functionality himself. This could cause problems for extension developers, since the IT department of the online store or the external solution provider is a major stakeholder in the buying decision and the implementer of the extension. Even if this sometimes is the case, most of the interviewed solution providers saw extensions as possibilities rather than threats.

A possible future scenario is that the companies that develop and provide the open platforms will add more functionality in each new version of the platforms, and thus make a lot of the extensions useless. One of the solution providers that were interviewed claimed that even if this risk exists, it is unlikely. Magento, for example, has been working hard to create a software ecosystem with independent developers around their platform and this is probably the case for most other open platforms as well. In contrast, few of the closed platforms currently have a strong ecosystem of extension developers surrounding their platforms. The closed platform developers could therefore be considered to be more likely to add functionality that currently is sold as extensions, since it is a way of them to increase their own sales.

5.2.5.2 Bargaining Power of Buyers and Suppliers

As found in Section 5.1.4, the market for e-commerce is growing rapidly. Possible reasons for this are that it has become easier and less expensive to set up a new online store. Another trend is that the end customers become more demanding and expect more from the online stores in order to buy. This puts pressure on the online stores to develop their store to be more unique. A possible, and relatively inexpensive, way to do this is to install extensions that improve the stores business potential. This in turn could be expected to increase the demand for extensions such as Mezmerize-e's.

The customers on a growing market are typically less demanding than the customers on a mature market, according to Porter (1980). This puts a relatively low pressure on the market for extensions from the buyer side. Still, there is a risk that the increased competition on the market for extensions will make the online stores more price sensitive. So far this has not generally been the case, since the stores instead have tried to differentiate themselves with additional functionality rather than lowering their prices. Thus, using Granstrand's (2010) words, the competition on the market is dynamic rather than static. Mezmerize-e's product does not require any other input than the creativity and skills of the firm's developers and some server power. Server capacity is widely available to rent at a low cost through a wide range of international suppliers. Thus, the firm does not have any strong supplier dependencies and the competitive pressure from suppliers could thereby be considered as low.

5.2.5.3 Summary: International Competitive Analysis

At present, the rivalry among firms in the extension industry is quite low. There is a high supply of extensions, but most of them have low quality. The market is also highly fragmented and there are currently no dominant actors. New firms could quite easily enter the markets since there are low entry barriers. The primary substitute product is unique solutions provided by solution providers, which is a more expensive but also more tailored solution to the same problems for online stores. Also, the customer demand for extensions is growing as

the end customers in turn gets more demanding. Currently this means that they are trying to differentiate themselves rather than competing on price, which causes dynamic rather than static competition.

The competitive situation on the market for extensions to online stores is summarized in Figure 9, seen below.

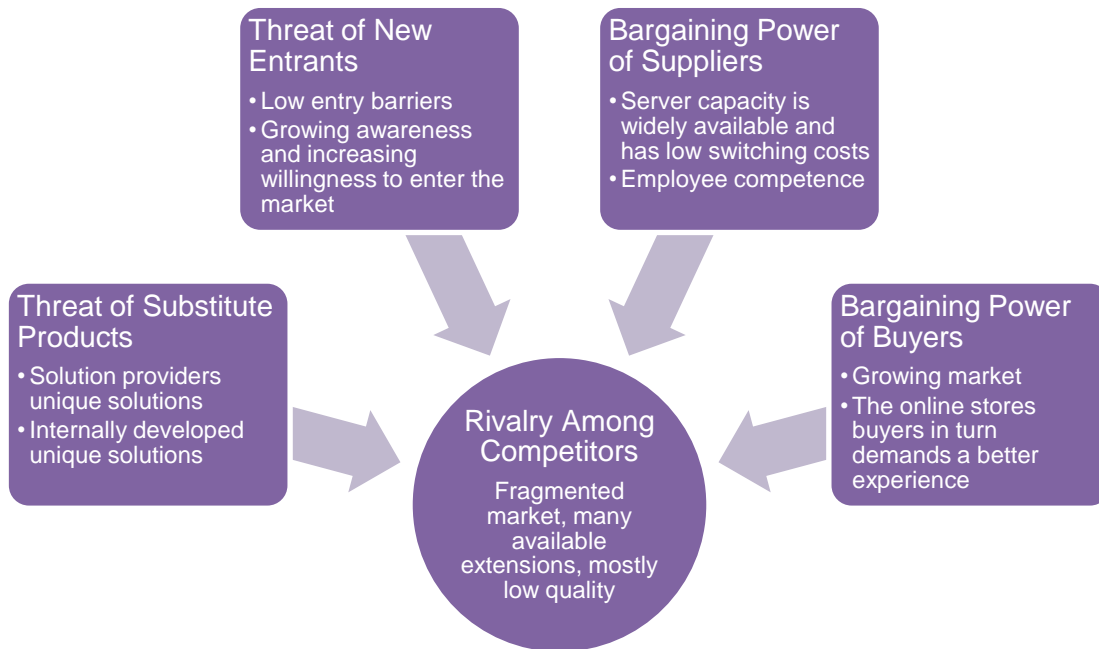


Figure 9. Summary of the International Competition Analysis in Porter's (1980) framework.

5.2.6 Summary: International Market Analysis

To summarize the findings and analysis of the international markets, the three sales channels found were direct sales, extension markets and solution providers. From these, the solution providers and extension markets are the most efficient. However, they require proven quality and reliability, which could be achieved by finding reference customers using direct sales.

In both United Kingdom and Germany, the open external segment was the most attractive, having the largest number of customers along with the best accessibility and margin between willingness to pay and cost of sales. The open internal segments in both countries have similar good properties, although being smaller and with lower accessibility. In both markets the closed segments, particularly the closed internal, were less attractive. This was primarily because of their high cost of sales. Both closed segments could however be used for initial sales to gain reference customers. The French market was indicated to be similar but less mature than the others, but the data gathered from the French market was not enough to draw any strong conclusions.

The rivalry between competitors in Mezmerize-e's business is quite low, as no obvious direct competitors have yet emerged. However, the low entry barriers mean that the situation could change quickly.

5.3 Analysis of Success Factors

The purpose of the Analysis for Success Factors is to evaluate critical success factors for developing a successful internationalization strategy for a software start-up company like Mezmerize-e. Success factors in the internationalization process were identified through case studies of the software companies Klarna, OneStepCheckout and Sweet Tooth. All these companies have the same target customers as Mezmerize-e and have succeeded in their internationalization process.

5.3.1 Case A: Klarna ²²

Klarna is a Swedish company that offers three different products for online stores. These products lower the online stores' credit-, delivery- and trade risk. The products are sold as extensions to online stores, which indicates that Klarna have almost the same potential customers as Mezmerize-e. A difference is the purposes of the products: Klarna's products help online stores to decrease their risk while Mezmerize-e's product aims to increase sales. One of the areas where this difference is displayed is the pricing model. Klarna has a model where they take a fraction of each transaction of the online stores, whereas Mezmerize-e's pricing model currently leans towards a model where customers subscribes to the service and pay per feature that they use.

Another important difference between Klarna and Mezmerize-e's products is that Klarna's products are hard to customize for foreign markets, due to the sensitive nature of both transactions and legal regulations. For example, few other countries have such a high degree of registration of its citizens as Sweden has through the national identification numbering system.

Klarna has had a rapid growth and have doubled their revenues each year since they were founded in 2005. This means that their revenues have grown from 0 to 7 billion Swedish crowns (approximately 800 million euro). Today the firm has sold their extension to 15 000 online stores in the Scandinavian countries, the Netherlands and Germany.

5.3.1.1 Initial growth

Klarna's initial step in order to gain growth was to establish a close relationship to a number (10-20) of mid-size online stores where the product offering could be tested. The online stores all had quite high transaction volumes, which was necessary to test Klarna's payment solution. In this phase, the customers' platforms were not important. They simply developed a unique solution when required, and instead focused on customers that were willing to try Klarna's new solution. These initial customers were later used as references when Klarna was selling their products to new customers. This was one of the key factors behind Klarna's success.

The next goal for Klarna was to receive higher volumes and increase the brand awareness among end customers, the consumers. To do this, they increased their sales force and tried to convince more online stores to use their solutions. Klarna continued to focus on mid-size

²² This section is based on an interview with Fredrik Lennström, Relation Manager/E-commerce Advisor at Klarna 2012-03-13 (See Appendix 8.9).

online stores, since the biggest actors on the market did not seem interested in an unproven solution. During this expansion phase they also developed a standardized offer to the big online store platforms through which they could easily and fast reach a large number of customers. These included closed platforms such as Jetshop, Textalk and E-butik, but also open source-platforms such as Magento, Zen Cart and Prestashop.

It was not until quite late in the development process that Klarna established a relationship to partners (solution providers). Through these partners they were able to reach a higher number of customers quicker than if they would have turned directly to the online stores themselves. Also, this allowed Klarna to gain from the trust that the online stores already had to their partners. Today, when growing internationally, Klarna is using this strategy more extensively.

Later on, they turned toward the largest actors on the Swedish market and convinced them that their product was good enough. To successfully do this, they had to be sure that their product was working properly and had a high value for their customers. According to Klarna, the largest customers have high requirements, even though they bring large revenues once they turn into customers.

5.3.1.2 International growth

Klarna identified three main obstacles to pass during their internationalization. These were product understanding, brand awareness and differences in systems for deciding financial risk in other countries. While data for credit rating is easily accessible in Sweden, this is not the case in most other countries. Large efforts were thereby required in order to develop the rating system for other countries. Klarna also had to do some work with customizing their product technically and building a new sales organization.

Klarna segmented the international markets in the same way as they segmented the Swedish customers – by size and customer type. Within the customer type variable they made difference between online stores that managed their store with internal development and online stores that were managed by the platform vendor (as in the case of leased closed platforms).

Today, Klarna has developed standardized plug and play-modules for most of the big open source-platforms. To further increase the accessibility for all customers that would like to use Klarnas' products, a general API (Application Program Interface) has been developed. This API could easily be customized by external actors and could thereby be used on almost any platform, even if it requires work for the buyer.

To reach customers, Klarna has a big sales force that primarily works through telephone sales. Also, an automated online process has been developed through which customers can download, install and manage their Klarna product. The firm has divided its sales force into two groups. One of them sells to smaller customers and one that sells to bigger customers.

5.3.1.3 Key success factors

The main reason behind Klarna's success was that they identified a real market demand and had a strong market focus throughout the development of their product offering. Further,

Klarna prioritized the development of a strong sales department that allowed the firm to rapidly gain large market shares and increase the brand awareness.

While developing their product technically, they have also focused on making it easy and robust. A programming language with these characteristics was chosen and the code was kept as simple as possible. This allowed the firm to focus more on listening to customer demands and extend their product when required. By doing so, Klarna have been able to keep its market focus and reach economic success.

5.3.1.4 Summary: Klarna

Klarna has succeeded to gain a rapid international growth. To do this, they initially focused on getting a couple of reference customers and made big customizations for these clients, in order to develop their product offering. When the product had proven its value, Klarna scaled their business and started to sell a standardized offering to Swedish customers on the biggest e-commerce platforms. It was not till later in the development process that they established partners and contacted bigger customers. One main reason behind their success was their strong market focus during the development of their product offering. Another key factor was the creation of a strong sales department that increased the brand awareness and helped gaining market shares.

5.3.2 Case B: OneStepCheckout²³

OneStepCheckout is a Norwegian firm that offers a product that simplifies the checkout and payment process on Magento stores. The purpose of this simplification is to increase the end customer's willingness to buy, since the purchasing becomes easier. Thereby OneStepCheckout's product's purpose is to increase the business potential of online stores, which means that they have the same target customers as Mezmerize-e. One main difference is that their product is very close to the transaction, and the expectations are thereby higher on proving the products stability and quality, while Mezmerize-e's product may be of a less sensitive character. Although this difference, OneStepCheckout has succeeded to grow rapidly and therefore is a suitable firm to analyze.

OneStepCheckout has been able to grow rapidly since they were founded in 2009, with their product released in early 2010. So far, they have solely focused on the open source platform Magento, since the founders of the firm already had a strong knowledge about the platform and credibility within its community. Today they are among the most well known developers of extensions for the platform Magento and their products has been sold to over 7000 online stores throughout the world.

5.3.2.1 Initial growth

The founders of the firm had previously been active as solution partners for Magento, but began developing OneStepCheckout and its product after seeing a demand for a more convenient checkout process. Their previous activity within the Magento community meant that they had credibility and also a number of previous customers (about 40-50) who trusted

²³ This section is based on an interview with Thomas Berg, Sales Manager at OneStepCheckout 2012-03-30 (See Appendix 8.9).

them. This meant that they as soon as their product was fully developed, they had customers to launch it to.

Before launching the product the OneStepCheckout, which is the name of both the firm and the product, was extensively tested to prove its functionality and security. In the end of the development process, it was the marketing department that forced the development department to work one extra month on securing the functionality of the product. It was of crucial importance that the solution was entirely robust and secure, since it was so close to the payment transaction. This extreme focus on quality was used to convince the customers and the solution partners that OneStepCheckout collaborated with, while they showed their code for them as a proof of quality and trustworthiness.

Initially OneStepCheckout focused on marketing towards people who trusted them or knew people who trusted them. Thereby they both built up and used their credibility while growing. Once the product was getting more established and had been proven useful by many, OneStepCheckout turned to the media and managed to get several articles published in branch papers. This gave them more attention on a macro scale that helped the business grow further.

OneStepCheckout have had a strong strategic focus on its core business throughout its development process. They have been focusing on their single product and on one single platform, namely Magento. This was since they wanted to build a strong brand that was associated with focus and security for the single product on a single platform. OneStepCheckout recommends that firms whose product is in a sensitive area, such as the transaction process, should focus on its core business. Firms that on the other hand sell less sensitive products, such as graphical changes, could develop a higher number of products and keep these in the same firm.

5.3.2.2 International growth

OneStepCheckout is, as they call it themselves, a “born global”-firm, which means that they already from the beginning were international.²⁴ Their initial customers were primarily located in other countries than Norway and they believe that it is of crucial importance for an extension developer to turn against other markets than their own. This, since the market for e-commerce extensions is international. Today, OneStepCheckout has customers around the world, but the majority of their customers are located in the United States, the Netherlands and Germany.

The large scale international growth of OneStepCheckout has become easier with time and they have gone from “pull” to “push”, i.e. they are today contacted by customers rather than contacting customers themselves. Today, customers and solution providers are asking for their product and OneStepCheckout is primarily trying to reach solution partners who in turn could recommend the product to online stores. OneStepCheckout estimates that above 50 % of the Magento online stores are managed completely by solution providers (agencies), which means that many customers could be reached by talking to a few agencies.

²⁴ The term “born global firm” is defined by Kudina et al. (2008) as “business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”.

5.3.2.3 Key success factors

The key success factor OneStepCheckout mainly points out is its total focus on the core business. This focus made it obvious for their customers that the company had all required competence concerning the checkout process, and thereby was a secure extension developer. The benefits from this were that it became easier for the firm to develop its trademark and brand awareness. This means that OneStepCheckout's strategy was quite contrary to most of their competitors who have a broad product portfolio. It should also be mentioned that the owners of OneStepCheckout have other products as well, but these are managed within another firm and have a completely different development- and service team. The purpose of this is to signal total focus and reliability to potential customers.

5.3.2.4 Summary: OneStepCheckout

OneStepCheckout has succeeded to gain a rapid international growth. To do this, they initially focused on marketing towards previous customers, from the time being a solution provider, who trusted them. In this stage they also placed a lot of time on the quality of the product. When the values had been proven, OneStepCheckout turned to the media and managed to get several articles published in branch papers, allowing their business grow faster thanks to the attention. It was not until later in that their customers came to them, asking for the product, instead of the company finding customers on their own. One main reason behind their success was their focus on the core business. The benefits from this were that it became easier for the firm to develop its trademark and brand awareness.

5.3.3 Case C: Sweet Tooth ²⁵

Sweet Tooth is a Canadian firm that offers products related to increasing the customer loyalty for online store's, which in turn increases the online stores business potential. The product is mainly directed towards online stores that seek to increase the end customer's shopping experience and willingness to buy from the online store. Thus, Sweet Tooth has the same target customers as Mezmerize-e even though there is a small difference in focus for their product offerings. This difference is that Sweet Tooth's product primarily aims towards keeping old customers, while Mezmerize-e's product rather focuses on making new visitors more willing to buy.

Sweet Tooth has been able to grow rapidly and has grown from 4 to 21 employees since they were founded in 2009. So far, they have solely focused on the open source platform Magento, which they believe has the most active community and also the highest growth rate. Today they are among the most well known developers of extensions for the platform Magento and approximately 1300 online stores throughout the world currently use their products.

5.3.3.1 Initial growth

Sweet Tooth did already from the beginning develop their product together with their customers and had a strong market focus throughout their development process. The Magento forum was used in this process to get information on the demand of the market. The initial product Sweet Tooth sold was developed in cooperation with a group of about 60 beta testers,

²⁵ This section is based on an interview with Steve Deckert, Marketing Manager at Sweet Tooth, 2012-03-30 (See Appendix 8.9).

which constituted a good sample of the market. These customers were early adopters with an interest in the product and an understanding for the extension, which made it possible for them to provide valuable information about the product.

Once the product had been beta tested and Sweet Tooth had developed the product further, they made it available at Magento Connect and started to market it. They also kept developing the product, made documentation and supporting literature for it, in order to enhance the online stores experience with the product. It was of great importance for Sweet Tooth to build credibility around their product, particularly through customer support. Their extensive work with customer support helped them avoid negative rumors about their product within the Magento community.

Already from the beginning Sweet Tooth initiated and joined several partnerships through which they could increase their credibility and market access. These partnerships were formed with Magento and with solution providers. The partnership with Magento proved their trustworthiness, while the partnerships with solution providers rather led to further direct recommendations to new customers and increased sales.

Even though Sweet Tooth did no formal segmentation of the extension market in the initial phase, it happened to be small and medium size customers that bought their product. These customers were large enough to afford extensions and willing to use standardized solutions, unlike many larger customers. Later on, Sweet Tooth began to segment their customers on revenue and today the firm's primary aim is to reach the larger customers. Further, they had customers from a wide variety of geographical locations already from the beginning, which will be described in the following section.

5.3.3.2 International growth

Sweet Tooth had customers from all over the world already from the beginning, since the group of beta testers came from many different geographic locations. While growing, Sweet Tooth has been particularly successful in the mature markets in Europe, North America and Australia. They point out the United Kingdom as a great market where they have sold a lot of extensions.

Sweet Tooth believes they have a product that easily could be transferred among geographies, but also points out that this could vary between different extension types. One important obstacle that has to be managed in order to grow internationally is the translation of their product. This holds for both the product itself, but also for supporting and marketing materials that have to be international enough. Sweet Tooth has received very much help from their partners with this, and in many cases third parties have made entire translations files for the product.

Today, most customers are finding Sweet Tooth's products through Magento Connect and the extensions store Magento provides. To maintain its strong position in this channel the firm focuses on strong customers service to increase the perceived quality and to make sure that all customers are satisfied. This way, they could keep getting good ratings and avoid negative

comments about their product. Also, some customers find Sweet Tooth through Google, which means that the firm has worked with search engine optimization.

5.3.3.3 Key success factors

The key success factor that Sweet Tooth points out most carefully is customer support. Their belief is that everything a customer says will be heard by others, and thereby has negative effect on the firm's brand and sales. Therefore they are aiming to go "above and beyond" for their customers and one goal that they have is to answer every customer email within an hour. This could be the difference between a positive and a negative review. They also try to be proactive in customer service and one example is "calling ahead". This is done by calling their customers to ask how the product works before the customer has called for help. Even if it is important to deliver quality, Sweet Tooth claims that customer service is at least as important.

Sweet Tooth also points out the partnership programs they have joined as an important key success factor. The partnerships with Magento and solution providers have helped increasing the firm's credibility and thus their sales. The partners are representing the product and create sales, but also comes with a risk. If Sweet Tooth themselves do not perform as expected, their partners will not recommend them. Thus Sweet Tooth has to work proactively to maintain their position and keep their credibility.

Another recommendation given by Sweet Tooth is to focus on quickly growing markets, since it is easier to grow in such markets. The term market could refer to both geographical markets, but also to platforms. Sweet Tooth has grown within the platform Magento, which has been among the most rapidly growing platforms during the last couple of years.

5.3.3.4 Summary: Sweet Tooth

Sweet Tooth has succeeded to gain a rapid international growth. To do this, they initially focused on developing the new product in cooperation with a group of beta testers, which constituted a good sample of the market. After this they added their product to a large open source platforms extension market. When the product had proven its value, Sweet Tooth partnered up with solution providers and the open source platform to strengthen the product's credibility. One main reason behind their success was their strong focus on customer support and other key factors were the focus on a rapidly growing platform and partnerships.

5.3.4 Summary: Analysis of Basis of Success and Strategy Choices

Klarna, OneStepCheckout and Sweet Tooth have recently experienced a rapid international growth. Even though their basis of success differed in some manners, three important common success factors were identified.

In the beginning of their growth process Klarna and Sweet Tooth worked closely with a few number of customers to modify and improve their products. When all three's products were functional and their value propositions verified, they changed their strategy focus to build up their brand name and the products credibility by working intensively with quality, partnerships and customer support. Finally, they went through a standardization process of

their products to be able to reach an international market without extensive customer modification.



Figure 10 Summary of the key success factors outlined by the three successful firms.

5.4 Sustainability

This section will present the results from the analysis of how e-commerce in general and extensions in particular affect sustainability. The analysis will consider both the environmental-, social- and economic dimensions of sustainability and the global, national and local perspective.

5.4.1 E-commerce affects on sustainability

Over the last ten years, Internet sales have grown many times faster than retail sales through physical stores, with e-commerce sales growing by 67% from 2008 to 2011 alone, Euromonitor (2012). They also estimate that the e-commerce market in Europe will continue to grow with 16% during 2012. The European Commission (2012) has also developed an action plan to double the sales through Internet channels between 2012 and 2015. It is therefore of concern to analyze how the growth of e-commerce affects the economic, social and environmental dimensions of sustainability from a global, national and local perspective.

The development of e-commerce has positive social sustainability effects on the global welfare since all customers have access to the same supply, which offers growth potential for rural and isolated areas. On the other hand, the social gap may increase for undeveloped countries where access to the Internet is limited. The access to international goods has also positive effects on national level since the population can buy products that previously were too expensive or impossible to buy. The development of e-commerce also created new job opportunities. According to The European Commission (2012), the Internet economy creates 2.6 jobs for every “offline” job lost. However, since the e-commerce market is global, smaller national businesses will get exposed to international competition, which in worst-case scenario can lead to an increase in small business closures. The increased global competition will on the other hand contribute to lower prices for the consumers. The European Commission (2012) estimated that the gain from lower online prices and wider choice of available products are estimated to 11.7 billion EUR for 2012, which is equivalent to 0.12 % of the European GDP.

The economic sustainability effects from e-commerce are related to the social effects. In a global perspective, developed e-commerce leads to increased productivity but can also lead to increased economic differences between countries, for the same reasons as with social welfare. Even though e-commerce creates an international market with increased competition, it is also a new export opportunity for national business, according to Tillväxtverket (2007). As mentioned above, increased global competition leads to lower prices for the consumers but also risks of closures and increased unemployment for local areas.

The development of e-commerce increases the potential of a more centralized storage and warehousing structure, where the logistic behind transportation of goods could be optimized, Romm (1999). Reducing transportation lowers CO₂ emissions in all geographic perspectives and has a positive environmental effect on sustainability. With the use of e-commerce, consumers' transportation to stores could also be avoided which lowers the local emissions, Matthews and Hendrickson (2001). Other national benefits with e-commerce, and a more centralized warehousing structure, are reduction of retail space and waste, Matthews and Hendrickson (2001). E-commerce does not only have positive environmental effects, consumers also gain from lower prices which results in an increased demand and an over-consumption of the world's natural resources, Yang (2000). The development of e-commerce also leads to an increased need for servers and thus enlarged energy consumption, Yang (2000).

The advantages and disadvantages of e-commerce aspects on economic-, social- and environmental sustainability from a global, national and local perspective is summarized in Figure 11

	Economic	Social	Environmental
Global	+ Increased productivity. - Risk that economic differences will increase.	+ Increased Welfare - Risk of widened social gaps.	+ Efficient supply chain, CO ₂ emissions - Overconsumption
National	+ New export opportunities - Increased international competition	+ Increased access to international goods, new jobs - Increased international competition	+ Less goods transportation - Energy for servers
Local	+ Lower prices for consumer. - Local shops may be forced to close	+ Access to a larger supply of goods, rural areas gets less isolated - Local jobs can be moved elsewhere	+ Less transports and local emissions - Over-consumption

Figure 11 The affect on sustainability from e-commerce.

The development of e-commerce has positive and negative effects on all the three dimensions of sustainability on all geographical levels. Enhanced e-commerce benefits consumers because of the access to a wide range of products and better prices. On the other hand it leads to an increased demand and an over-consumption of products. The development of e-

commerce also gives the advantage of a supply chain with less transports and lower CO₂ emissions.

5.4.2 Extensions affects on sustainability

The e-commerce development has lead to an increased demand among consumers for better shopping experiences at online stores, Euromonitor (2012). This has opened up for a market of extensions where online stores easily can buy additional functionality. Extensions could provide the consumer with personal recommendations and also make the shopping experience easier. It is therefore of concern to analyze how the development of extensions and the consumers' changed buying behavior affect economical-, social- and environmental sustainability in a global, national and local perspective.

The development of extensions has positive and negative environmental effects in all geographical perspectives. Extensions with customer-specific recommendations, for example, results in a higher probability that the consumers initially buy right products, which leads to less waste and decreased transport both locally and nationally, Matthews and Hendrickson (2001). Better recommendations in combination with lower prices from e-commerce also have negative effects on the environmental sustainability since costumers tend to buy more than they intended to. This affects the global environment since the increasing demand and consumption leads to an overuse of the worlds' natural resources, Yang (2000). The easier shopping experience from extensions contributes to the development of e-commerce with the same positive and negative effects as mentioned previously in Section 5.4.1.

Extensions also have positive and negative effects of the social- and environmental sustainability. Extensions contribute to the development of e-commerce and an increased global welfare and productivity, especially for rural and isolated areas where a whole new supply is accessible. Like the development of e-commerce, extensions can also contribute to bigger social and economic gaps. The social benefits from a national and local perspective are that online stores are easier to use and the shopping experience is improved with customer-specific recommendations. As the development of online shopping continues, the consumers' demand increases and they tend to buy more products than they actually need, all leading to a development of a consumerist society, Yang (2000). From an economic perspective, the lower prices and a better shopping experience leads to a decreased need for local stores and shopping assistance. On the other hand, the Internet economy creates 2.6 jobs for every offline job lost, The European Commission (2012).

A summary of the advantages and disadvantages of the development of extensions aspect on economic-, social- and environmental sustainability from a global, national and local perspective is presented in Figure 12.

Economic

Social

Environmental

Global	+ Increased productivity. - Risk that economic differences will increase.	+ Increased Welfare - Risk of widened social gaps	+ Less waste - Overuse of resources
National	+ New job opportunities - Increased international competition	+ Easier to shop - Consumption Society	+ Less returns of goods - Over-consumption
Local	- Less demand of some type of jobs	+ Customer-specific recommendations - Buy more than needed	+ Buying right products - Buy more than needed

Figure 12 *The affects of extensions from different sustainability perspectives.*

The development of extensions for e-commerce has positive and negative effects on the three dimensions of sustainability in all geographical perspectives. Enhanced e-commerce is mostly a benefit for the consumers, receiving an easier way to buy products and better customer-specific recommendations. On the other hand it leads to a consumerist society and an overuse of the worlds' resources.

5.4.3 Summary: Sustainability

The purpose of this section was to analyze how the development of e-commerce and extensions affect economic-, social- and environmental sustainability from a global, national and local perspective. Enhanced e-commerce with extensions benefits the consumers with access to a wide range of products, lower prices and better recommendations. On the other hand it leads to an increased demand for products and an overconsumption of the world's resources. The development of e-commerce that replaces physical stores also contributes to possibilities to develop a more effective supply chain with less travels and lower CO₂ emissions.

5.5 Internationalization Strategy

In this section, an internationalization strategy that would allow Mezmerize-e to rapidly grow internationally is presented. This strategy is based on research findings and points out the differences between what the firm needs to do in the short, medium and long run. The purpose of dividing the strategy into short, medium and long run is to illustrate in what order Mezmerize-e should pursue various activities, rather than deciding at what exact time a specific activity should be performed.

In short, the recommended strategy could be summarized as follows. Mezmerize-e's should focus in the short run be to initiate collaborations with a couple of reference customers that could help develop the product offering, while Mezmerize-e simultaneously continues to develop the standardized offers to the biggest open platforms. After ensuring the functionality and customer value of their product, they should seek to engage in partnerships with solution providers in the selected countries that could introduce the extension to their customers. Mezmerize-e should then successively expand by establishing strong contacts with solution providers in additional countries.

5.5.1 Short Term

In order to grow internationally, it is of crucial importance that Mezmerize-e can prove that their product adds value to their customers' business. To do this, the firm needs to ensure the product's functionality also in practice. Since few customers could be expected to buy an unproven solution at a high cost and risk, Mezmerize-e needs to make specifically large efforts to gain their first customers trust. This could probably be done by charging a low price and promising an extensive amount of support. During this phase, Mezmerize-e would have to access the online stores by direct sales and put a lot of time on convincing the customer to try their product. Mezmerize-e would in this step be required to accept customers from any of the identified segments, both internal and external as well as using any open or closed platform. They would sell to customers regardless of nationality and customize their solution for each individual customer. By learning from these customers Mezmerize-e would be able to improve their product's technical qualities.

The initial efforts made to ensure the initial customers satisfaction will be a crucial step for Mezmerize-e. These customers will act as references when launching the product in a larger scale and could be a key success factor for further sales as they were in the case of Klarna, OneStepCheckout and Sweet Tooth. Thereby, the initial customization, direct sales and support efforts are critical steps to gain momentum in the growth process.

After having proven the offerings' usefulness and ensuring its technical quality, Mezmerize-e should focus on expanding their sale channels to include extension markets. This is achieved by developing editions of its product to one or several of the most popular open source-platforms with popular extension markets. By doing this, their product will be available for anyone who uses that platform, which will vastly increase their potential customer base, to a very low cost. When Sweet Tooth decided to sell their extensions through the extension markets they experience a rapid growth of revenues and in time 60% of their revenues streams originated from these stores. Nonetheless, the increased accessibility does not guarantee increased revenues. As shown in the previous result sections, few online store developers are searching for extensions spontaneously and even fewer are willing to pay for extensions from unknown and unproven developers. This implies that additional sales efforts are necessary even in a later phase to enhance revenues and growth.

Throughout these initial steps it is of crucial importance for Mezmerize-e to work extensively with customer support and make sure that all users get a positive experience from their product. Any negative rumours about the product could seriously injure the firm's possibilities to grow internationally. In the same way, positive references could be the straw that breaks the camels' back in favour for the customer's decision to buy the product.

The competition in this stage is probably mostly low quality alternatives available on the extension market. As the product is not completely finished, it does not really compete with development by internal/external solution provider as the alternatives is not comparable. However, with a fragmented competition situation, the main challenge in this stage is not the rivalry but the scepticism of the customers.

5.5.2 Medium Term

After having launched the product to one of the most popular platforms, Mezmerize-e needs to encourage online store developers to try their product. During this phase, Mezmerize-e should decrease the use of the costly direct sales channel and focus on marketing their product to solution providers that serves several different online stores in Germany and the United Kingdom. Segmentation wise, it is not important if they use open or closed platforms as long as they are positive towards cooperation. If Mezmerize-e manages to convince the solution providers that their product is good, it means that they could leverage on the solution provider's aggregating role to reduce the efforts necessary to access to the external segments, gaining volumes and reducing cost of sales. Thus, Mezmerize-e could gain from the solution providers' existing relationships with online stores and their network in the online store development-business.

To reach these solution providers and make sure they are aware of the product, Mezmerize-e could participate in various events, conferences and exhibitions within the e-commerce sector. Platform providers or solution providers could for example arrange these. These events occur quite regularly and are a tool for the platform providers to leverage the activity in the software ecosystems they are working to create around their platform. During these events Mezmerize-e could meet other extension developers, solution providers and online storeowners and create awareness of their products and even establish personal relations. By doing this, they continue to promote their established sales channel on the extension markets; increasing the chance that someone actually downloads and installs their extension.

The solution providers could also constitute the main competition during this phase, since creating a unique solution from scratch could be the main alternative from purchasing Mezmerize-e's product. The same holds for developing unique solutions internally in the internal segments. To face this, it is important to point out the benefits for the solution providers with purchasing extensions instead of developing the functionality themselves. Further on competition, they should be aware that the threat of new entrants constantly is high. During this phase, their main defence to this threat is to advance quickly in order to gain a competitive edge in customer awareness.

In terms of target countries, Mezmerize-e should primarily try to establish relationships with solution providers located in the United Kingdom and Germany in this phase. These markets are both large and mature, which means that there is a large awareness about e-commerce and a potential to reach high sales volumes. The end customers also have high expectations of the online store, which increases the online stores' demand for functionality. Beyond these similarities, there are also a couple of differences between the two markets. These differences, and what effects they will have on Mezmerize-e's strategy, will be outlined below.

5.5.2.1 United Kingdom

As the market in the United Kingdom is characterized by high accessibility, the efforts for reaching out to potential customers are lower than in other markets. This means that Mezmerize-e quickly could reach out to a substantial amount of potential customers. The implication is that the firm should be prepared to quickly change the focus in their

establishment process from initial contact and market analysis to sales and support. Without being prepared for this change of focus, there is a risk that sales and support become a bottleneck in the market penetration, which could make the customers lose interest or affect the support quality.

Another strategic choice in the United Kingdom could be to focus on the time saving sides of using extensions for adding new functionality, as this was of noticeable interest for the United Kingdom actors, both online stores and solution providers. A way of addressing this particular interest could be to emphasize it in the sales communication. Another way could be to make sure that the compatibility of the product is high, which would lead to avoided time-consuming customization.

5.5.2.2 Germany

Mezmerize-e should focus of achieving a high product quality before launching large-scale sales in Germany, as the quality and usability are important factors for the German solution providers. Consequently, in order to build up a good reputation and trust in the market, the company should prioritize quality control as well as promoting and communicating the high quality. This also implies a lower establishment pace than in the United Kingdom, since it is difficult to ensure high quality in an initial phase of a market entry.

Holding a high support level in the German market should also be a strategic decision, as it is a way of making sure that the product quality is high. This is a cost driver, but it is motivated since quality is an order qualifier and is necessary to be able to compete on the market. High support level also allows for continuous improvement of the product offering, since the support could be a channel for getting input on the market's opinion of the product and how it could be improved.

5.5.3 Long Term

Once Mezmerize-e has developed a number of partnerships in the selected countries and reached a satisfying level of market penetration, they should move their focus to new geographic markets in order to continue to grow. To find solution providers in the new countries, Mezmerize-e could use the contact network they have developed in Germany and the United Kingdom to find new developers that is easy to reach. The sales in the United Kingdom and Germany are likely to continue parallel during this phase, as they are large market with many potential customers. Focus in those markets should be to target profits by prioritizing the open segments where the cost of sales is lowest.

During this phase it is likely that it will be easier for Mezmerize-e to convince customers and developers of the value of their product. The earlier customers will provide a large foundation for recommendations that reduce further adaption risks. This makes the product more attractive, easier to sell in the existing markets and especially in the new markets where reference customers and strong credibility are crucial.

In the long run it would also be possible to benefit from the positive environmental aspects that arise from the use of e-commerce extensions in the internationalization process. Since extensions could help customers making correct purchasing decisions, it could decrease the

number of returns of goods and thus the emissions of CO₂. This could help convincing future customers, which could be expected to have larger demands regarding sustainability than today's customers, that the product not only have positive effects on the customers business, but also on the society and environment in large.

Similarly to the situation in the medium run, the main competition is probably unique solutions developed by external solutions providers or internally, as well as the threat of new entrants. The strategy to face the unique solutions could be to establish a track record of how much time and cost the extension saves, both for the solution provider and the online stores. The strategy to defend against the threat of new entrance could be to leverage their recognized brand and displaying their record of satisfied customers. By doing so they create entry barriers that make it more difficult for new actors to enter the market.

In the long run, Mezmerize-e should ensure that their offering remains updated and available for all the most popular platforms. Continuous overviews of the platform market are important since the trend is pointing towards an increased consolidation on the platform market, but also quite rapid transitions. Availability on the right platforms could therefore be expected to be a crucial part of a successful continuous growth.

5.5.4 Summary: Internationalization Strategy

The internationalization strategy for Mezmerize-e can be divided into three phases: short, medium and long term. In the short term Mezmerize-e's should focus to initiate collaborations with a couple of reference customers that could help develop the product offering, while they simultaneously continue to develop the standardized offers to the largest open platforms. The product should be released on extension markets, where it can allow sales continuously. In a medium term perspective Mezmerize-e should seek to engage in partnerships with solution providers in the United Kingdom and in Germany that could introduce the extension to their customers. In a longer run Mezmerize-e should successively expand in a similar manner to additional countries. Condensed, the efforts in each stage could be summarized as follows:

1. Prove value through initial reference customers
2. Use solution providers as sales channels in focus markets
3. Work against new geographical markets through existing networks

The different phases and how they relate to the sales channels, segments and competition is summarized in the table below.

Table 4 Summary of the different phases in the internationalization strategy, related to sales channels, segments and competition.

Phase	Sales Channels to use	Segments to target	Main competition
Short	<ul style="list-style-type: none"> • Direct sales • Extension market 	<ul style="list-style-type: none"> • Anyone willing to buy, but preferably 	<ul style="list-style-type: none"> • Low quality alternatives

Open			
Medium	<ul style="list-style-type: none"> • Solution providers in UK and Germany • Extension market 	<ul style="list-style-type: none"> • Closed external • Open external • Open internal 	<ul style="list-style-type: none"> • Unique solutions • New entrants
Long	<ul style="list-style-type: none"> • Solution providers in UK, Germany and other markets • Extension market 	<ul style="list-style-type: none"> • Open external • Open internal 	<ul style="list-style-type: none"> • Unique solutions • New entrants

6 Conclusions and Discussion

This chapter will present the most important conclusions with regard to the purpose of the thesis and the questions asked in Chapter 1. It will be followed by a discussion of the report, which emphasizes the reports limitations, strengths, weaknesses and further needed research from an academic and an applied perspective.

6.1 Conclusions

The conclusions that could be drawn from the study are presented below. The conclusions are divided into five parts, which each answers to one of the sub studies made.

Which European markets would allow Mezmerize-e to gain the most rapid growth today?

According to our findings and analysis, the United Kingdom and Germany are the most attractive markets, followed by France. These markets are the most attractive mainly because they are the largest in Europe. The end customers on these markets also show characteristics that indicate a demand for e-commerce extensions. Finally, the markets have a sufficiently high growth rate and degree of development.

What is the current situation in the markets in terms of sales channels, customer segments and competition?

To summarize the findings and analysis of the international markets, the three sales channels found were direct sales, extension markets and solution providers. From these, the solution providers and extension markets are the most efficient. However, they require proven quality and reliability, which could be achieved by finding reference customers using direct sales. In both United Kingdom and Germany, the open external segment was the most attractive, having the largest number of customers along with the best accessibility and margin between willingness to pay and cost of sales. The open internal segments in both countries have similar good properties, although being smaller and with lower accessibility. In both markets the closed segments, particularly the closed internal, were less attractive. This was primarily because of their high cost of sales. Both closed segments could however be used for initial sales to gain reference customers. The French market was indicated to be similar but less mature than the others, but the data gathered from the French market was not enough to draw any strong conclusions.

The rivalry between competitors in Mezmerize-e's business is quite low, as no obvious competitors have yet emerged. However, the low entry barriers mean that the situation could change quickly.

Which are the success factors of internationalization for comparable companies in the selected markets?

Klarna, OneStepCheckout and Sweet Tooth have recently experienced a rapid international growth. Even though their basis of success differed in some manners, three important common success factors were identified.

In the beginning of their growth process Klarna and Sweet Tooth worked closely with a few number of customers to modify and improve their products. When all three's products were

functional and their value propositions verified, they changed their strategy focus to build up their brand name and the products credibility by working with quality, partnerships and customer support. Finally, they went through a standardization process of their products to be able to reach an international market without extensive customer modification.

How does the development of e-commerce and extensions affect sustainability?

Enhanced e-commerce with extensions mostly gains the consumers with access to a wide range of products, lower prices and better recommendations. On the other hand it leads to an increased demand of products and an overconsumption of the world's resources. The development of e-commerce that replaces physical stores also contributes to possibilities to develop a more effective supply chain with less travels and lower CO₂ emissions.

How can an internationalization strategy for Mezmerize-e, given their prerequisites and market opportunities, be formulated?

The internationalization strategy for Mezmerize-e can be divided into three phases: short, medium and long term. In the short term Mezmerize-e's should focus to initiate collaborations with a couple of reference customers that could help develop the product offering, while they simultaneously continue to develop the standardized offers to the largest open platforms. The product should be released on extension markets, where it can allow sales continuously. In a medium term perspective Mezmerize-e should seek to engage in partnerships with solution providers in the United Kingdom and in Germany that could introduce the extension to their customers. In a longer run Mezmerize-e should successively expand in a similar manner to additional countries.

6.2 Academic discussion

The main academic value is the increased aggregated knowledge about the European market for e-commerce extensions. Previously, this market has been an unexplored area for academic research, and only a few experts have had a brief overview of the entire market. The knowledge contribution of this thesis is highly relevant for anyone who is interested in the online store extension market, both private and professionally. Furthermore, since the used methodology and frameworks are general, the thesis can facilitate and guide additional market surveys in the extension industry.

Another important result from this study is the analysis of the sustainability effects from e-commerce, and in particularly the methodology and developed framework. The new framework, or the combination of old frameworks, gives the possibility to study the sustainability issues of e-commerce on a broader level that includes all levels and dimensions. Earlier research has primarily been limited to just one dimension or one geographical level, which has lead to a lack of aggregated knowledge. Although this sub study was made quite briefly, the methodology and framework could be used for further studies. Thereby a more detailed analysis of the sustainability effects from e-commerce could be conducted in further research studies.

This report has primarily aimed to outline the possibilities for developers of extensions for online stores and the results are thus limited to a quite small niche market. Thereby an academic weakness of this report is that it is not generalizable for a large market, such as the

entire market for IT firms, even if some conclusions and insights from this report could be used for those firms as well.

A limitation of this report is that it mainly has focused on large and mature markets, since these were the most desirable for Mezmerize-e's specific prerequisites. Therefore it has not provided any detailed analysis of immature and rapidly growing geographical markets, which could be expected to have some differences in characteristics. A detailed study of a couple of the most rapidly growing markets would therefore contribute greatly to the knowledge about the online store extension market, and is thereby recommended as a future research project within this field.

6.3 Applied discussion

The results presented in this thesis are tailored for firms on the market for e-commerce extensions and have been assembled through a rigorous data collection with a broad range of interviews. This focus on a niche of the entire IT market makes the results directly applicable and highly relevant for firms that are active in this niche. The relevance is particularly high for startup firms with prerequisites similar to those of Mezmerize-e, but also for firms in other development stages. The division of the internationalization strategy into different steps makes the strategy useful for firms already doing business, since they could take advice from selected parts of the analysis and recommendations. Further, the analysis of selected geographies could be useful also to established firms within the niche market for e-commerce extensions.

The systematic analysis of sustainability effects from e-commerce and online store extensions provides an overview of the situation for extension developers. Since it combines discussions on different geographic levels and dimensions it is useful for developers, as it allows them to work proactively with sustainability issues. Even if this is not a strong market demand today, it provides a basic understanding of the effects on all levels. Therefore it can help extension developers understand the broader effects of their products and perhaps also use this in their communication with online stores.

There is a diverse set of extensions on the market. For some niche extensions categories, the internationalization strategy presented in this report is lacking important aspects. For example, as discussed in the section about success stories, extensions that can raise legal questions and extensions that modify the transaction process have a different market establishment process than the rest of the extension set. An examination on how legal aspects affect the internationalization strategy could therefore provide important input to this knowledge area. In the same way, it could be examined how the focus and diversification of extension developers' product portfolios should be varied depending on product characteristics.

Due to the absence of a defined value proposition the presented strategy does not include strategies for positioning and differentiation. Developing such strategies would be an obvious topic for further research, provided that the product has a defined and proven value. Additionally, the scope of the thesis has allowed only a limited discussion regarding implementation. The development of a more in depth implementation plan for the strategy would be another interesting topic for further research.

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8 Appendices

8.1 Appendix 1: Selecting Target Countries

Rates of exchange used: 3 December 2011, £1 = €1.1805

Table 5. Data used for selecting target counties, based on Euromonitor (2012)

	Total turnover from e-commerce (€)	(Turnover e-commerce)/(Turnover retail sales)(%)	Online sales per customer per annum 2011	E-commerce growth 2010-2011 (%)
Measure	Market size	Maturity of the market	Purchasing behaviour	Market potential
Importance	1	2	3	4
Country				
United Kingdom	€ 59.42 bn	12,00%	€ 1,693.65	14%
Germany	€45.07 bn	9,00%	€ 1,967.02	15%
France	€38.66 bn	7,30%	€ 1,440.84	24%
Benelux	€12,25 bn	5,10%	€ 1,539.32	20%
Italy	€ 9,96 bn	1,30%	€ 1,261.03	25%
Spain	€ 9,37 bn	3,50%	€ 892.87	19%
Switzerland	€ 5,74 bn	8,70%	€ 991.40	20%
Sweden	€ 5,74 bn	6,90%	€ 1,068.20	22%
Denmark	€5.21 bn	8,00%	€ 1,897.02	16%
Norway	€4.88 bn	8,10%	€ 1,733.89	22%
Poland	€4.51 bn	3,10%	€ 457.64	34%
Europe	€ 232,76 bn	7,80%		16%

Table 6. Data used for selecting target counties, retrieved from Euromonitor (2012)

	Citizens (Nr)	Proportion of the population that use e-commerce (%)
Measure	Limitations in growth	Maturity of the market
Country		
United Kingdom	61,7 million	66%
France	64,3 million	45%
Germany	82,0 million	56%
Switzerland	7,5 million	55% ²⁶
Denmark	5,5 million	64%
Norway	5 million	64%
Poland	38,1 million	23%
Benelux	27,5 million	52%
Spain	48,5 million	23%
Sweden	9,2 million	63%
Italy	60 million	12%

Table 7. Data used for estimation of Benelux, retrieved from Euromonitor (2012)

	Citizens (Nr)	Proportion of the population that use e-commerce (%)
Country		
Belgium	10,7 million	36%
Netherlands	16,4 million	63%
Luxemburg	0,5 million	58%

$$Benelux = \frac{(10,7 \text{ million} \times 36\%) + (16,4 \text{ million} \times 63\%) + (0,5 \text{ million} \times 58\%)}{(10,7 + 16,4 + 0,5 \text{ million})} = 52\%$$

²⁶ Ystats (2011)

8.2 Appendix 2: International Customer Analysis

Table 8. Number of interviews that were made in United Kingdom for each segment.

United Kingdom				
	Open External	Open Internal	Closed External	Closed Internal
Total	7	1	7	1
Solution provider	4		2	
Online store	2		4	
Extension developer	1	1	1	1

Table 9. Number of interviews that were made in Germany for each segment.

Germany				
	Open External	Open Internal	Closed External	Closed Internal
Total	7	3	7	3
Solution provider	4	1	2	1
Online store	2	1	4	1
Extension developer	1	1	1	1

Table 10. Number of interviews that were made in other countries for each segment.

Other Countries				
	Open External	Open Internal	Closed External	Closed Internal
Total	8	3	5	4
Solution provider	2			
Online store			2	2
Extension developer	6	3	3	2

Table 11. The number of Solution providers, Online Stores and Extension Developers that were contacted in total, for each country.

	Total	United Kingdom	Germany	France	Other
Total	242	93	108	26	15
Solution provider	82	27	39	16	
Online store	138	57	65	7	9
Extension developer	22	9	4	3	6

8.3 Appendix 3: Interview questions for solution providers (A1)

8.3.1 Introduction

We have selected your online store to be a part of our research study and wonder if you have the time to answer a couple of questions

- Chalmers University of Technology
- Bachelor Thesis
- We analyse the e-commerce market, more specific the market for the extensions to online stores
- Evaluating European countries
- Identifying sales channels for extensions

8.3.2 About the business

How would you describe your company?

What type of customers do you have (Number of customers, customer revenues, customer content)?

What online store solution do you provide?

- Open /Closed Platforms?

8.3.3 Extensions

Do you install any third party extensions for your customers today?

What is your opinion about extensions?

When and how often do you recommend extensions?

Do you develop own extensions, or do you use third party extensions?

Do you see third party extensions as opportunities or threat?

8.3.4 Sales Channels

How would you describe the sales process for a third party extension (customer or consultant initiative)?

At which stage/phase of the customer development would you consider recommending/selling an extension?

How many extensions (in percent) that you recommend to your customers are third party solutions and how many are custom designed?

Could it be possible for a third party extension provider to promote their products through a consultant (as a sales channel)?

(if yes): Could you consider to form relationships with third party extension providers?

How can third party extensions survive on your market?

How do you think that your market is different from Germany/United Kingdom/France?

Do you work with customers outside of your country?

Do you work with third party developers outside of your country?

8.3.5 Ending

If you are interested, would you like a copy of the finished report?

Is it all right with you if we contact you in a couple of weeks with some further questions?

- Name:
- Mail:
- Phone:

Thank you for all your time and help!

8.4 Appendix 4: Interview questions for online stores (B1)

8.4.1 Introduction

We have selected your online store to be a part of our research study and wonder if you have the time to answer a couple of questions

- Chalmers University of Technology
- Bachelor Thesis
- We analyse the e-commerce market, more specific the market for the extensions to online stores
- Evaluating European countries
- Identifying sales channels for extensions

8.4.2 About the business

What Industry?

How long has the web shop been established?

What is the size (Number of visitors, Revenues, Revenues of total)?

What online store solution do you have?

- Open/Closed platform?
- Solution Provider/Inhouse solution?

8.4.3 Extensions

Where do you look for extra functionality?

Do you know what an e-commerce extension is?

Do you own any extensions today?

Do you consider buying extensions today?

What is your opinion about experience/revenue enhancing extensions?

8.4.4 Sale Channels

How would you prefer to be informed about extensions?

At which stage/phase would you consider adding an extension?

If you were interested in an extension, how would you proceed?

Do you have the possibilities to integrate an extension (knowledge)?

8.4.5 Ending

If you are interested, we could send you a copy of the finished report?

Is it all right with you if we contact you in a couple of weeks with some further questions?

- Name:
- Mail:
- Phone

Thank you for all your time and help!

8.5 Appendix 5: Interview questions for extension developers (C1)

8.5.1 Introduction

We have selected your online store to be a part of our research study and wonder if you have the time to answer a couple of questions

- Chalmers University of Technology
- Bachelor Thesis
- We analyse the e-commerce market, more specific the market for the extensions to online stores
- Evaluating European countries
- Identifying sales channels for extensions

8.5.2 About the business

Could you describe your company and offering?

How long have you been established?

What is the size (Number of customers, Revenues, number of products)?

8.5.3 Extensions

What type of extensions do you develop? (Functionality, plug n play/customized)

What platforms do you target?

What is your opinion about experience/revenue enhancing extensions?

8.5.4 The market for extensions

Can you summarize your market strategy?

Which are your target customers?

How did you find this segment, what segmentation variables did you use?

How do you reach your customers, which are your primary and secondary channels?

What do you think enabled (key success factors) your expansions/growth?

8.5.5 Ending

If you are interested, we could send you a copy of the finished report?

Is it all right with you if we contact you in a couple of weeks with some further questions?

- Name:
- Mail:
- Phone:

Thank you for all your time and help!

8.6 Appendix 6: Interview questions for Solution Providers (A2)

8.6.1 Introduction

We have selected your online store to be a part of our research study and wonder if you have the time to answer a couple of questions

- Chalmers University of Technology
- Bachelor Thesis
- We analyse the e-commerce market, more specific the market for the extensions to online stores
- Evaluating European countries
- Identifying sales channels for extensions

8.6.2 Segmentation Model

What do you think of our segmentation model?

Do you understand it?

Is it relevant to divide the market in the segments that we have identified?

	External solution provider Solutions developed and serviced by an external consultant	Internal solution provider Solutions developed and serviced by internal resources
Open platform Platforms like Magento, Prestashop	Open external	Open internal
Closed platform Others, proprietary or unique solutions	Closed external	Closed internal

8.6.3 Segments and Market:

Could there be a common description of a “typical online store” in the different segments?

How many online stores do you think there is in each segment?

How large part of the market is using “open” platforms and how large is closed? (in terms of revenue)

How large part of the market is using external developers and how large is internal? (in terms of revenue)

How would you describe the purchasing power (of extensions) for the different segments?

Which segments would be most interested in purchasing extensions?

How do you think the markets differ between Germany, United Kingdom and France?

8.6.4 Ending

If you are interested, we could send you a copy of the finished report?

Is it all right with you if we contact you in a couple of weeks with some further questions?

- Name:
- Mail:
- Phone:

Thank you for all your time and help!

8.7 Appendix 7: Interview questions for Solution Providers (A3)

8.7.1 Introduction

We have selected your online store to be a part of our research study and wonder if you have the time to answer a couple of questions

- Chalmers University of Technology
- Bachelor Thesis
- We analyse the e-commerce market, more specific the market for the extensions to online stores
- Evaluating European countries
- Identifying sales channels for extensions

8.7.2 About the business

How would you describe your company?

What type of customers do you have (Number of customers, customer revenues, customer content)?

What online store solution do you provide?

- Open /Closed Platforms?

8.7.3 Extensions

What is your opinion about third party extensions?

Do you install any third party extensions for your customers today?

(If yes): How many extensions (in percent) that you recommend to your customers are third party solutions and how many are custom designed?

Do you develop own extensions, or do you use third party extensions?

When and how often do you recommend third party extensions?

Do you see third party extensions as opportunities or threat?

Could it be possible for a third party extension provider to promote their products through a consultant (as a sales channel)?

How large is the budget for extensions in your segment?

8.7.4 Segmentation Model

How many online stores would you estimate are using open source platform in comparison to closed platforms?

How would you say that the Probability to purchase is among online stores in the open and closed segment?

How would you say that the Willingness to pay is among online stores in the open and closed segment?

How many online stores would you estimate are using internal developers in comparison to the ones using external developers in your segment?

How would you say that the Probability to purchase is among online stores with internal development compared to external solution providers?

How would you say that the Willingness to pay is among online stores with internal development compared to external solution providers?

Do you have examples of closed platform consultants?

Do you have examples of closed platform online stores with internal development?

Do you have examples of open platform online stores with internal development?

Do you have people/experts we can contact in your segment? Other segment?

How do you think that your market is different from Germany/ United Kingdom /France?

8.7.5 Ending

If you are interested, we could send you a copy of the finished report?

Is it all right with you if we contact you in a couple of weeks with some further questions?

- Name:
- Mail:
- Phone:

Thank you for all your time and help!

8.8 Appendix 8: Interview questions for online stores (B3)

8.8.1 Introduction

We have selected your online store to be a part of our research study and wonder if you have the time to answer a couple of questions

- Chalmers University of Technology
- Bachelor Thesis
- We analyse the e-commerce market, more specific the market for the extensions to online stores
- Evaluating European countries
- Identifying sales channels for extensions

8.8.2 About the business

What Industry?

How long has the web shop been established?

What is the size (Number of visitors, Revenues, Revenues of total)?

What online store solution do you have?

- Open/Closed platform?
- Solution Providers/Inhouse solution?

8.8.3 Extensions

Are you aware that extension for online stores exists?

If you were interested in extra functionality for your online store, how would you proceed?

Do you use any extensions today?

Could you consider purchasing extensions? Do you have a budget for extensions?

How much could you pay for extensions?

How would you prefer to be informed about extensions?

Do you have the possibilities to integrate an extension (knowledge) or who do you contact to do this?

Why did you choose to be in this segment?

Do you have examples of online stores with internal development?

8.8.4 Ending

If you are interested, we could send you a copy of the finished report?

Is it all right with you if we contact you in a couple of weeks with some further questions?

- Name:
- Mail:
- Phone:

Thank you for all your time and help!

8.9 Appendix 9: Interview questions for Success stories

8.9.1 Initial growth

What type of customers did you seek initially? How did you manage to reach these customers?

How did you do to increase your sales volumes when you had received your first reference customers?

How much work did you have to put on customization of your offering for your first couple of customers?

How did you select what platforms to align yourselves against during your expansion phase?

What types of customers were prioritized? Comparison: What type of customers are you primarily prioritizing/looking for today?

8.9.2 International growth

How did you do to seek new customers internationally? What challenges did you face while doing so?

How much work was required to develop your product for an international customer base?

How did you segment your international customers?

What platforms did you select to work against during this phase?

How do you reach your customers today? What are your primary/secondary sales- and contact channels?

8.9.3 Key success factors

How would you summarize the strategy that you used in order to grow?

What factors do you believe was most important for your success?

What advice would you give a firm that sells extensions to online stores and would like to grow internationally?

8.9.4 Other

What countries do you find interesting for a future continued expansion? Why?

What do you think about our model we have made to segment the market of online stores, presented in the picture below? What shortages do you find in it?

	External solution provider Solutions developed and serviced by an external consultant	Internal solution provider Solutions developed and serviced by internal resources
Open platform Platforms like Magento, Prestashop	Open external	Open internal
Closed platform Others, proprietary or unique solutions	Closed external	Closed internal