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Factors Affecting the Choice of Entry Strategies to Developed and Developing Countries in the E-Commerce Industry Exemplified by Alibaba and Joom in France and Russia

Prof. D'Alessandro Giuseppe
SUPERVISOR

Prof. De Vecchi Luigi
CO-SUPERVISOR

ID No. 733831
CANDIDATE

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Table of contents

Introduction

Over the last decade e-commerce has immensely grown from being a potentially disruptive technology into a separate major industry with a wide variety of subindustries. Moreover, most of the corporations, both B2C and B2B, have established presence in the worldwide web and provided their customers with electronic channels for performing the purchases. The growing trends of all key industry metrics clearly indicates the market interest and demand, while the forecasts are promising both on global and national level for the businesses to increase investments into the e-commerce. The online business models have gone through an intense stress-test due to the Covid-19 pandemic, forcing consumers to turn to e-commerce as the offline channels were unavailable to a great extent. Relatively new subindustries like e-groceries became from an unusual purchase pattern into a standard practice over the course of just a couple of months. Still, even after lockdowns were removed, customers remained loyal to e-commerce channels, wherever local companies were able to provide high-quality services.

The business literature on internationalization is fairly rich, as many scholars have studied various entry strategies and the managerial reasoning while internationalizing. Those theories have shed light on the ways corporations have expanded over the course of international business research development. Nevertheless, the e-commerce industry, being a relatively new model of business operations, was studied substantially less. In particular, international new ventures in this industry, operating partially different from the way conventional theories perceived, nowadays have large influence on the global economy. At the same time, the internet business models have a tendency to modify and adapt to new external factors in a pace so rapid that following them from theoretical perspective became quite a challenge. Moreover, further expansions commonly requiring larger investments after the increase of market commitment for e-commerce international firms may be contrasting to the theories of foreign direct investments. The goal of this study is to identify the level of applicability of the key factors influencing the managerial decisions on entry strategies and further expansions in the previously performed international studies and the conclusions of practical research.

In order to do so, qualitative research of the internationalization strategies was performed through interviews with the top management in e-commerce corporations with the focus on cross-border B2C marketplaces. The respondents were chosen in accordance with their influence on the entry strategies from various angels — CEO for high-level strategy, CMO for the marketing perspective, CPO due to the adaptation of the product to different markets, and the head of logistics department, as building a robust delivery channels is crucial for expansions within the subindustry in discussion.

Finally, the business expansion activities differ depending on the target market, and those peculiarities present interest especially for potential generalizations, such as the attribution of key factors to developed and emerging markets. Thus, this study also aims at identifying the dissimilarities of the decision-making process depending on the host country choice and the economic situation there.

Object and Subject

The object of the study is the entry strategies of e-commerce companies to international markets. The subject is the variables of the choice of entry strategies to developed and emerging markets in the e-commerce with the peculiarities of the industry.

Chapter 1. Theoretical aspects and literature review

1. Internationalization and globalization

Before reviewing various entry strategies, it is crucial to understand what internationalization and globalization mean, as those are broader terms, partially covering the former one. There is no single definition accepted by scholars for globalization, but it can be described as the process of integrating national economies into a global market (Guttal, 2017) or as a process of interaction and integration of people, companies and national governments all over the globe. Moreover, there is no agreement on the start date of globalization as a process, as some consider it to be in the 15th century with the age of discovery, still the most common approach is to date the rise of globalization to the 19th century (O'Rourke, Williamson, 2002). Specifically, during that period of time technologies developed rapidly, resulting in major increase of transportations volume, improvement of communication means, emergence of new business industries, etc. Globalization can be considered in three various ways: political, cultural and economic globalization. The latter one consists of international trade, foreign portfolio investments and foreign direct investments, which are a crucial part of the international business (Babones, 2008).

For centuries after the peace of Westphalia, which has given start to the state sovereignty system also referred to as the "Westphalian system" (Gross, 1948), only states were the main actors on the international relations, while their sovereignty over domestic policies was solid and unquestionable. However, the globalization and technological development has allowed initiative resourceful individuals in the capitalistic world to drive their companies so successfully, that they were gaining more and more influence. Thus, those major corporations started to play an important role within their countries influencing the domestic policies, for instance through lobbies.

Consequentially, with ongoing globalization the economies of various countries were becoming more interconnected and dependent on each other through international trade, providing businesses with a unique opportunity of entering new markets with their products and services: enterprises were no longer contained by the borders of the state. This complex process is usually referred to as internationalization: "process of increasing involvement in international operations" (Welch, Luostarinen, 1988).

Initially their main influence was still within the country of the headquarters, but eventually some of the corporations had to be recognized as great powers on the international level, becoming one of the non-state actors along with other non-governmental organizations (Brown, 1993). By the end of the XX century, the multinational corporations were already considered to be "the major driver of global economic integration" (Peterson, 1995).

After realizing that the corporations have become influential actors of international relations, while their main focus is mostly at their own interests, not necessarily aligned with the home country, states have developed certain guidelines for businesses in order to keep them aligned, such as OECD Guidelines for Multinational Enterprises (OECD, 2011).

However, internationalization brings not only new potential customers and international influence to the firm, but major risks as well. Host countries may imply regulations in order to maintain the sovereignty over domestic policies, and the range of the legislations varies from conventional tax regulations to grow the state budgets to sometimes extreme measures like nationalization (Ataman, 2003). Overall, it is rather self-explanatory that internationalization requires a thorough analysis from various business perspectives. The risks for multinational corporations (MNCs) that need to be assessed include and not limited by the operating (pre- and post-construction), institutional, sovereign as well as force majeures and world economy risks.

Even though any "transactions taking place across national borders" (Rugman, 1995) are considered already as international business, vast majority of the MNCs do not stop at traditional trade over the border, as they tend to optimize the business processes in order to maximize the profits.

2. Internationalization assessment

The assessment performed by the businessmen or consultants helps not only to decide whether the firm should go international, but also on the strategy of entering new markets. Those strategies may differ significantly: some decide to sell products manufactured in the home country through neighbor host country distributors, while others decide to heavily invest and establish a manufacturing facility overseas on another continent.

2.1. Five-dimensional assessment

In order to go international, business should assess the perspectives through five dimensions: What, When, Where, Why and How.

2.1.1 What

Should the business go international providing the customers full range of their products or sell market specific products; should it be adapted to the local market according to the polycentric strategy (host-country orientation) or keep the products the same worldwide.

2.1.2 When

Timing can be crucial for undertaking such large-scale operations as internationalization. Various uncontrollable forces both at the home and host countries, such as economic situation, political, legal, etc. can define everything in favor of the firm and to the contrary, alongside with internal factors such as the development stage of the firm should also be considered. For companies entering the decline stage, internationalization may be the reactive answer, which will be reflected later in the "Why" subchapter of the assessment.

2.1.3. Where

Based on the companies' objectives and overall state different countries and even regions should be considered for internationalization. According to their ambitions, some corporations are willing to take the risk of being the first movers and establish their presence first in their industries, working through the challenges in order to receive the leader's share of the market, as previous studies has confirmed (Makadok, 1988). The first movers enjoy the market that is by definition a monopoly for them — bringing the firm higher return on investments — until the arrival of other players, both domestic and international. Moreover, even after the entry of new businesses, the first mover still has competitive advantages (Kerin, Varadarajan and Peterson, 1992): their market position, being well-established, generates resources for more investments, while the gained experience in the market provides the management with invaluable insights on the market and the way it operates. Furthermore, the learning curve economics leads to stable decrease of unit costs due to the continuing output of the initial investments (Spence, 1981). At the same time, other companies take into consideration and prefer more conventional markets, where they can follow the leader and get their smaller share or indulge in a market competition. This allows them to leave the verification of the value and growth hypothesizes — whether the product or service is really needed on the market and what are the key methods to attract potential clients at the specific market — to the first movers, along with the associated risks. Furthermore, companies decide on the foreign market based on their knowledge and understanding of it, as well as the experience working on that specific market: with better understanding, managers are ready to commit more. At the same time, without experience in the target market, firms tend to choose markets similar to their home one in order to minimize the risks. One of the first studies on the interconnection of specific market knowledge and the readiness of the firm to enter and invest into foreign operations in the host country was carried out by Johanson and Vahlne (1977) in their study of internationalization model. While questioning the factors affecting the choice of entry strategy and overall readiness to enter certain markets in the automotive industry they come to the following conclusion: the physical and psychic distances between the host and home countries play significant role due to the absence of market understanding. Thus, their international operations tend to start with small investments and low-risk models, such as cross-border export activities. However, the closer the host country is to the home one both culturally and geographically, the more comfortable the internationalizing company will feel, leading to higher market commitment. For instance, Russian companies operate easier in the Belarus due to the region geography and similar mentality. Furthermore, the overall international experience of the company influences as well: with the growth of international operations, the management gains experience and skills of global activities, which leads to the acceleration of the investments to the host market as well. The interconnected elements of the internationalization model (figure 1) can be divided into two categories — state and change aspects. The former one includes market knowledge and market commitment, while the latter consists of commitment decisions and current activities. Knowledge increase leads to incremental changes in the commitment decisions and activities.

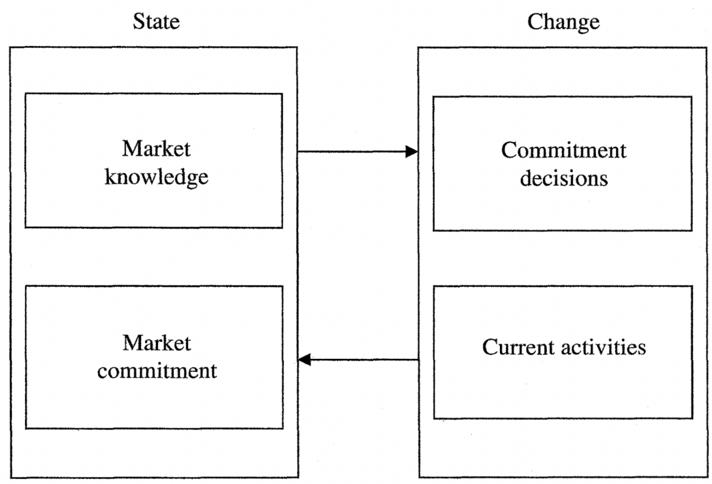

Figure 1. Uppsala Internationalization Model (Johanson, Vahlne, 1977)

However, the original Uppsala internationalization model missed another key premise influencing the choice of the target market — the network built in the host country. The established network could be a crucial success factor (Johanson, Mattsson, 1988). Other studies have also confirmed the importance of networks, especially for SME — small & medium enterprises (Coviello, Munro, 1997). The network might include formal relations, such as business relations with potential partners (e.g., distributors, local sellers), which influence the host-country choice in medium enterprises, and informal — friends or family operating on the target market and having applicable experience — that provides sufficient motivation to enter certain market for smaller firms. Companies with no previously built network in the host country tend to start by establishing the network prior to increasing the commitment and resources allocated for the target market (Johanson, Mattsson, 1988). Overall, the network can be defined as "the relationship between a firm's management team and employees with customers, suppliers, competitors, government, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities" (Zain, Ng, 2006).

32 years later Uppsala internationalization model was updated in order to reflect the influence and crucial role of networks (Johanson, Vahlne, 2009). They perceived markets as a complex network of interconnections among all firms. Authors have argued that being a part of such network in the target region means insidership, that leads to potential in learning and trust building — necessary for internationalization. The entry itself is to be seen as a set of actions to strengthen the network's position of the company (Johanson, Vahlne, 2003), while the abovementioned learning is carried out through the partnerships' enhancement. Thus, the 1977 internationalization model had to be updated — yet keeping the original structure:

- "Knowledge opportunities" were presented instead of "market knowledge": the recognition of host-country market opportunities becomes the key element of knowledge, that drives the top-management to change.
- "Relationship commitment decisions": relationships were added to highlight the focus of commitment decisions, which is on the network and the relationships within. The company's actions result in the increase of dependency, and may include verbal promises, investments, entry

mode with higher risks and rewards, organizational design for the region-specific subsidiaries and etc. The decisions may lead to creation of new relationships and establishing new network to fill "structural holes" (Burt, 1992), or to enhance and back the relationships within the current network.

- "Learning, creating, and trust-building" in the place of "current activities" to underline the most crucial activities and outcomes, while emphasizing the importance of experiential learning and creating new opportunities.
- Finally, "Market commitment" was changed to "network position": since the internationalization is being undertaken in a certain network, the activities of the firm, if successful, shall result in a more favorable network position.

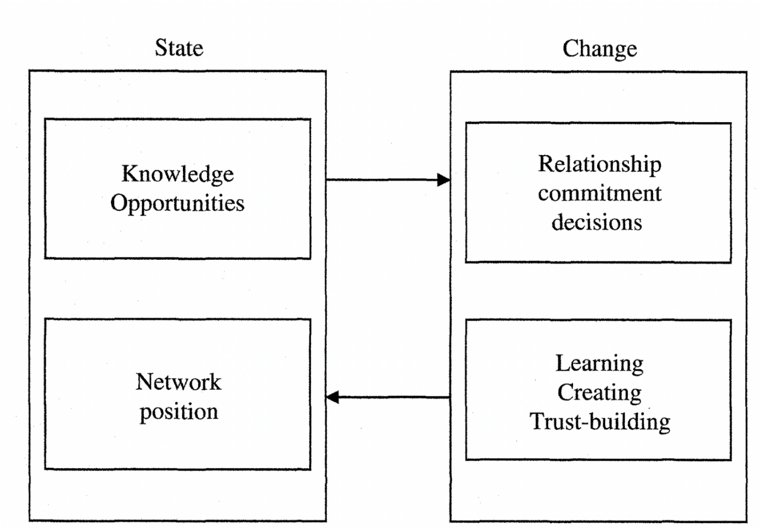

Figure 2. Business network internationalization process model (the 2009 version)

2.1.4. Why

Potential sources of motivation for the internationalization are numerous, however there are a few suggested frameworks for structuring the potential reasonings. According to one of them, businesses decide to go international seeking of market, resources or efficiency (Dunning, 1988). The first one applies to companies that want to attract potential customers from new countries in order to increase their sales due to the constraints of their home market or global ambitions. This driving force comply with the International Product Life Cycle theory by Vernon (1966), since the abandonment stage of the product in certain market does not necessarily mean sales decline in other countries. Other businesses might be looking for better resource's availability, as their original market either limit them by volume or prices, potentially even possessing risks for the crucial business processes. Hence, they decide to internationalize and amend their business processes in order to diversify the sources of supply or even acquire new sources, vertically integrating the company. The third reason pointed out by Dunning is applicable to firms seeking higher efficiency, for instance, of their production due to economies of scale.

Entering foreign markets in most cases result in higher economies of scale and drop of the marginal cost of units sold (Levitt, 1983). Lower cost leads not only to higher profit margins, but also provides the firm with the room for final price deduction for the consumers, attracting higher demand (McDowell, Thom, Frank, Bernanke, 2009). The advantages can be categorized into external and internal:

- The former one appears from the growth of the industry as a whole alongside with its importance (Hussein, 2010) and results in lower production or operating expenses. For instance, the external economies of scales for e-commerce cross-border industry may occur as a result of governmental subsidies on trading tariffs or trading agreements with other countries or the improve of state-owned logistics services (e.g., post offices). Another example are the universities providing highly skilled labor onto the market. Firms can also gain external economies of scale from agglomeration economy — in case a couple or more industries are beneficial to certain improvements. Furthermore, such economies of scale can be achieved not only by the rise of the industry as a whole, but also via partnerships within the network, what will be reflected later. However, such improvements may result in internationalization challenges to regions with less developed infrastructure. Moreover, general improvements lead to loss of control and competitive edge. For instance, if the firm has invested heavily into own logistics channels, introduction of state's services may lower the barrier for other businesses.
- The latter reflects the reduction of costs due to the expansion of production and volume increase within the company. The lower cost per unit results from the increase of efficiency and use of cutting-edge production technologies; from spread of fixed costs or certain internal functions, such as accounting or marketing, over higher amount of goods sold; or from bargaining better prices from the suppliers and distributors due to the size and importance of the business. The risks might include rise of outsource companies, that provide B2B or B2B2C services at lower cost due to their own economies of scale, while causing large well-established businesses to lose or weaken their competitive edge.

Other possible structuring of the reasons for going international is the division to reactive and proactive ones (Hollensen, 2007). The former one implies certain unpleasant conditions at the current state of the company, which requires risky but promising steps in order to grow. The firm decision to internationalize serves specifically as a reaction to its situation at the current market. For instance, the domestic market can be already saturated or simply small for the business to achieve advantages based on economies of scale or scope. Another reactive measure can be taken by a company that is risking losing the market share due to competition. Besides, competitors can also aim at conquering the international markets, and managers understand well the disadvantages of being one of the last companies to entry the market.

Proactive approach might indicate the ambitious approach and low risk aversion of the top management, as the company is quite confident of its business models and wants to scale up, reaching new customers and receiving higher profits. At the same time, by going international firm aims to increase the volume of production, thus obtaining competitive advantage of economies of scale. Moreover, they can exploit the benefits of being an exporter in the home country, such as preferable tax regulations that drives companies to internationalize.

At the same time, another research performed by Suárez-Ortega and Alamo-Vera (2005) indicates that the main motivation for businesses going international does not come from the external forces, but from the top managers within the company. Their core capabilities, ambitions, knowledge will influence their decision making and eventually might allow the firm to gain preferable market positions abroad.

2.1.5. How

One of the most challenging questions business has to answer is the entry strategy to a foreign market, as those are quite numerous. Accordingly, the scholars of international business, studying the topic of internationalization, were suggesting various theories for the means of entering new markets. For instance, the Uppsala model suggested that the entry strategy depends on the market knowledge and experience in the host country (Johanson, Vahlne, 1977). With little or none experience firm is likely to go with primitive export business model without establishing any operational office at the target market. With time company acquires more experience and by gaining better market understanding, they are ready to undertake higher risks. The following steps might include acquisition of foreign license for operations, minor foreign direct investments (FDI), selling the license to a local partner, establishing certain joint operations with a local entity like marketing, R&D or production, followed by a joint venture and finally a fully owned subsidiary abroad. In the study performed by Pan and Tse (2000) the majority of entry modes were divided into two large groups: non-equity and equity modes. The former one, in alignment with the ladder from the Uppsala model mentioned before, better suits companies that tends to minimize the risks of internationalization due to lack of market experience and knowledge on their first steps of entering foreign markets. Thus, they choose entry strategy that requires the less investments, such as export or contracts. Exporting allows the firm to reach the customers across the border without any major investments and may be direct or indirect. The main difference is the search for the buyer: by exporting indirectly the company is in contact with host country agents, who then finds customers. Indirect exporting suits perfectly the companies that yet do not know the target market well, and due to the local agents, referred to as export management companies, who take some of the operating risks they are more likely to succeed. By contrast, direct export allows the business to sell its products or services to the buyers without any middleman, while the buyer can be distributor or the final consumer. Previously in order to sell exported good in the host country directly to the consumers managers still had to invest, for instance into establishing a sales subsidiary. Nevertheless, lately with the development of internet technologies, e-commerce and delivery systems, businesses can find their customers online and ship the goods directly, simplifying the internationalization process for the firm.

Another non-equity way of taking the business international is contracting, which differs from exporting in the location of the manufacturing facilities. By contracting the company invests certain resources into transferring the production to the target market, still without actually investing in equity. Overall, the contracting may be classified into four various categories (Johansson, 2009):

- Licensing — a form of cooperation with a host country company, licensee, who allows the firm to internationalize, produce the goods abroad without establishing actual production facilities of their own. Commonly by licensing the business can avoid certain entry barriers imposed on imported products. Furthermore, lack of market experience will not be an issue due to the licensee share of responsibility over marketing activities. However, this sort of cooperation requires transfer of production technology and other know-how and is a risky choice for entering developing countries due to poor intellectual property legislation. In exchange for the know-how disclosure firm can get revenue-based royalties and fixed milestones payments.
- Franchising — alteration of a licensing agreement, which allows the internationalizing company to maintain control over the marketing activities and provide the technical expertise while the franchisee invests own capital and pay royalty from revenue. The franchising structure suits the industries with mostly standardized products, such as hotels or fast-food chains. There are certain adaptations of the products and services to the markets, but the overall quality is maintained at a certain level worldwide. Thus, the goal of franchising multinational corporations is to keep the brand's reputation and satisfy clients expectations disregarding the location and the actual owner of the business through quality guidelines, supply chain control and marketing activities.
- Manufacturing contracts — partnering with a foreign production facility in order to produce overseas. In contrast to licensing agreements, with manufacturing contracts the ownership of the final product is still of the home country firm. This allows the business to keep higher rate of control over the product and its post-production life cycle. Such partnerships can be referred to as tolling agreements in case the contractor takes responsibility over the production itself, while the raw materials are provided by the counterpart.
- Non-equity strategic alliances — relatively new form of companies' cooperation in order to strengthen their perspectives in distribution, R&D or in manufacturing. The latter differs from other manufacturing contracts defined earlier in the motives of the firm: strategic alliance in production suits both sides economically, as, for instance, they may use one another's excessive production capacity and ease the penetration to host countries. Distribution alliances helps companies to internationalize by selling their products and services through already established distribution channels of their partners. Nevertheless, their potential on the market is limited as at a certain level they will be competing with their allies for market share, and the lack of own distribution channel will impact company's position and sells forecasts. Another form of strategic alliances — R&D — allows the companies in the industry to not only join forces on technological development, but also ensure that the industry overall is synchronized. Therefore, R&D activities of the firm are hedged from the risks that in the short term most of the competing companies will be switching to other direction. In the era of constant development and rapid changes it is crucial for firms in a competitive market to maintain their research at a similar direction as others.

At a certain point, firms aiming at a higher level of control over their overseas operations tends to assess various equity modes of operating in other countries: joint ventures or wholly owned subsidiaries. The first one occurs when “two or more firms pool a portion of their resources within a common legal organization” (Kogut, 1988). Besides the internationalization as a goal, businesses can pursue joint ventures in order to achieve better economies of scale, share the risks for production and operations or to combine expertise for the benefit of both sides. Legally JV is a separate entity, one of the most well-known examples — Sony Ericsson, a joint venture of Japanese and Swedish electronic companies. Finally, those in need of a complete control over their production turn to the wholly owned manufacturing subsidiaries. With thorough understanding of the market, firm may advantage from such investments by rapid decrease of the costs in concern to import, such as transportation and custom fees. Moreover, the risks of product delivery delays to the final customers are significantly lower as the production is much closer to the distribution channels and the goods are easier available. Companies might have better access to resources and materials needed for production, they can gain tax benefits from the host country, get preferences dedicated to local producers in case the government impose protectionist policies. From marketing perspective, manufacturing facility located abroad eases the adaptation of the product to the needs of the market, as the company is less reluctant to make changes from the standardized products and switch to polycentric approach. Overall, the internationalization through wholly owned subsidiaries can be carried out through two possible scenarios: greenfield and brownfield investments. In case the firm builds new manufacturing facilities it is considered a greenfield investment. At the same time, if the company decides to acquire an existing or even fully operational plant and adapt it into their subsidiary — that falls under the category of brownfield investment.

2.2. Foreign Direct Investments

Both joint ventures and wholly owned subsidiaries require major investments into the host country facilities, usually referred to as foreign direct investments (FDI). Since the second half of XX century many theories emerged with the goal to explain why companies decide to directly invest into other economies.

One of the first significant attempts was made by Raymond Vernon (1966) in his International Product Life Cycle theory. He suggested that FDI is a natural stage in the life cycle of a successful product, as after the introduction and growth periods the company tends to optimize the production costs by shifting their production abroad to low-wage countries from developing regions, such as South-East Asia, in order to compete in export markets. This process may be considered as a diffusion of innovation, as developed countries originally producing the innovative product, are no longer cost effective in comparison with developing nations, and has to move their production overseas (Onkvisit, Shaw, 1990). Eventually the product is imported into the country where it has originated as well. This shift in manufacturing country may reflect on product’s perception in case the tag “Made in…” plays significant role for customers, for instance, with Italian luxury brands produced in China (Johansson, 2009).

Others suggested that foreign direct investments occur in imperfect market conditions, such as oligopolies, due to specific advantages of the industry leaders (Hymer, 1960, Kindleberger, 1969). The economies of scale, exclusive relationships with suppliers or superior technologies of production and marketing allows the businesses to thrive on foreign markets with relatively lower cost of production even in comparison with indigenous competitors. Thus, even the costs for foreign market penetration and manufacturing establishment still pay off, because internationalizing corporations exploits their advantages due to imperfect market conditions. However, after one of the industry leaders has moved the production overseas, other firms are willing to copy and directly invest into manufacturing abroad as well in order to minimize the risk of losing an export market (Knickerboker, 1973).

Another motive for FDI can be concluded from the risks of partnering with local firms mentioned above: loss of the competitive edge in technology due to disclosure of confidential information, needed for manufacturing. In order to secure the information while increasing profits and maintaining high sells in the foreign market firm decide to directly invest and internalize the production process itself (Buckley, Casson, 1976, 1998).

Partially the mentioned above theories have eventually led to the creation of an eclectic model: combination of a few prerequisites for internationalization through FDI. In his theory, John Dunning (1980) underlines three various kinds of advantages a business must possess in order to directly invest in foreign subsidiaries: ownership-specific and internalization (the firm has to have certain assets that other competitors do not have, while it is more reasonable business-wise to keep the production within the corporation without licensing the know-how), and location-specific (moving the production overseas has to be more profitable for the firm than keeping it within the home country).

2.3. Born Global companies

The research reflected above mainly focused on "old-fashioned" businesses with incremental increase of international presence, who expanded coherently with their level of knowledge and network participation. However, later studies have argued that for technologically intense business models those theories are not thoroughly applicable (Jolly, 1992). The empirical study of Rennie (1993) also reflected the contradictions between internationalization of born globals and theories as the Uppsala model (Johanson, Vahlne, 1977). Their rapid internationalization challenges the evolutionary step-by-step expansion models as such firms often have global strategy from inception, alongside with the international experience of the top-managers and worldwide network (Madsen, Servais, 1997).

Born global company, or international new venture (INV), can be defined as "business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (Oviatt, McDougall, 1994). Their rise was conditioned by the shift of demand nature toward globality in various markets (Oviatt, McDougall, 1997). Throughout the last couple of decades numerous studies have been published due to the drastic increase of INV, lack of applicability of classic internationalization theories, and the potential of such companies due to the innovation-based products (Moen, 2002). Global start-ups mostly similar to other international firms in respect to marketing aspects, however they do vary in the share of international sales and overall amount of market entered (Wong, Merrilees, 2012).

Moen, O. (2002). The born globals: A new generation of small European exporters.
International Marketing Review, 19(2), 156–175
Moen, O. (2002). The born globals: A new generation of small European exporters.
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International Marketing Review, 19(2), 156–175

At the same time, the network theory partially applies for the international new ventures, as the management tends to choose regional markets with established contacts (Bell, 1995). The geographical diversity of the relationships plays more crucial role for global companies than the strength of the ties, as INV internationalization may be described as "learning through network" (Sharma, Blomstermo, 2003).

Two categories of global business models are distinguished: global start-ups with activities coordinated among various markets, and companies actively exporting from the start or shortly after. The key prerequisites of their emergence, the driving forces, were "new market conditions, technological improvement…, more elaborate capabilities of people" (Madsen, Servais, 1997). Furthermore, the entrepreneurs establishing INV, besides seeing business opportunity in the formation of cross-border company, tend to avoid the path-dependency of home-market specific advantages by internationalizing from the inception. In order to minimize the risks of bankrupting the firm during the start-up period with low level of cash inflow, managers implement hybrid governance via established networks and strategic partnerships (McDougall, Shane, Oviatt, 1994).

3. Summary of internationalization literature review

The globalization has opened up a path for expending the businesses international-wise, allowing entrepreneurs to modify large companies into multinational corporations. Over the last century the research on international business has come a long way, and multiple theories and various classifications were presented. One of the key questions were the factors that affect companies' motivation for expansion, their choice of entry strategy, risks accompanying the actions and the decisions on markets and regions.

Key questions that top management should be asking prior to internationalization are the following:

1. What are the products or services that should be provided on the international markets?
2. When should the expansion take place and what affect the timing?
3. Where should the company expand to?
4. Why the business should be internationalized?
5. How the expansion activities should be designed and carried out?

Throughout this assessment, the following key theories and concepts were reviewed:

Ethnocentric & Polycentric strategies	Home and host country orientation of the products and services provided in the target market.
Uncontrollable external forces	Host-country economic situation, political, legal, etc.

First-mover advantages	Key risks and competitive advantages of first company of the specific industry to internationalize into the target market.
Follow-the-leader	Conventional choice for more risk-averse companies who expand to certain market after other corporation has proven the value and growth hypothesizes.
Psychic and physical closeness to the target market	Cultural similarity of home and host markets, presented by Johanson and Valhne (1977) — concept stating that experience gained in close regions increase the market commitment and investments into the internationalization.
Network theory	Established network (both formal and informal) influence on the readiness for expansion. Network as a premise for entering the market in pursue.
Uppsala Model revisited	Updated internationalization theory to reflect the role of networks in the target region: key entering activities as a pursue of improving the network position.
Market, resources and efficiency goals	Classification of internationalization motivation: applying to new customer base, seeking better resources availability price or volume-wise, and increase of efficiency due to the production increase or relocation.
Product Life Cycle theory (Vernon, 1966)	Key points: 1) the possible motivation for international expansion due to the natural decrease in the customer demand in home country; 2) relocation of production facilities via FDI to developing economies to decrease and optimize the production costs.
Economies of Scale	- External economies of scale: optimization of operational costs via investments by governments on the federal or regional level due to the importance increase of the industry overall - Internal economies of scale: decrease of marginal costs as a result of spreading the fixed costs among higher number of units produced and sold.
Reactive & proactive approaches	Classification of motivations for internationalization — expansion as a result of either unpleasant conditions and risks increase due to activities of other market actors, or as a proactive action to exploit the competitive advantages on an international level.

Uppsala international model (Johanson, Vahlne, 1977, 2009)	Incremental increase of investments into the target market via step-by-step expansion (1977): moving from primitive export / import activities to strategic partnerships, joint ventures, FDI, etc. through market knowledge gains and better network ties (2009).
Imperfect market conditions	Foreign direct investments as a result of certain advantages of market leaders in imperfect industries (e.g., oligopolies).
Internalization theory (Buckley, Casson, 1976, 1998)	Risks of partnering up with local firms that lead certain firms to invest directly into production overseas in order to keep the production and operational know-hows internally in the corporation.
Eclectic theory (Dunning, 1980)	Combination of prerequisite advantages owned by a firm in order to directly invest into foreign subsidiaries: internalization, ownership- and location-specific motivations.
Born Globals	International New Ventures that expand internationally in a much more rapid pace due to the global strategy from inception, to whom the previous theories do not apply to the same extent.

4. Peculiarities of e-commerce

Throughout the previously reflected theoretical review numerous factors affecting the managerial decision with regards to internationalization and entry strategies were presented. However, due to the specifics of e-commerce industry some factors are not applicable, while other play crucial role exclusively or largely in the electronic commercial overseas activities.

In order to correctly assess the internationalization for e-com companies and choose the entry strategy the following factors should be taken into consideration from theoretical perspective (later the list of factors will be validated and modified through research performed).

Internal factors:

1. Market knowledge — level of the understanding of the overall market. E-commerce markets can be quite different, thus having deep knowledge on how to deliver the value to the consumers at specific market conditions is crucial for understanding the key activities during expansion.
2. Psychic closeness to the target market (understanding the consumers) — the geographical closeness for e-commerce companies is not as applicable as for many other industries, however the psychic closeness may influence dramatically. The comprehension of the clients' choices on doing online purchases, the factors affecting their choices, promising market strategies and instruments — all increases with the gain of experience in similar markets to the target one.
3. Network positions — nearly all companies have to operate in a certain network and partner up with other businesses. The e-commerce companies heavily rely on third parties, for instance, payment

services providers, logistical partners, local suppliers, etc. With the right network, the company might gain potential clients via lids from partnership programs. Moreover, other businesses mostly provide services that result in the increase of perceived and real value for the final consumers in the host market.

4. Firm's ambitions and risk-aversion — the decisions on entry strategies are influenced by the company's overall approach regarding risks and their global strategy. E-commerce born global start-ups tend to aim for significant market share, thus top management can set goals to be among the first movers in order to enjoy the competitive landscape, even though the risks are much higher. At the same time, other companies decide to follow other firms in their expansion to minimize the risks disregarding the established competition.
5. Stage of product's life cycle — the current structure of product demand in the home market might be a trigger for making the choice on international expansion. Their decision might be proactive and reactive: the former one implicates the ambitious expansion along with increasing demand in the home market during the growth or maturity stages, while the latter comes as a reaction to demand decrease in the declining stage and the urge to attract more consumers abroad in order to stay relevant and profitable.
6. International experience of the firm — businesses with previously gained international experience are more likely to succeed and take bigger challenges as their internal knowledge of best practices allows to operate efficiently in the uncertainty attached to entering new markets.
7. International experience of the top-management — the expertise in the area of internationalization processes facilitates the expansions. Moreover, their understanding of the target market and the audience shifts the focus to achieving the set goals in a more rapid pace, avoiding certain mistakes. The international experience of the top managers may be gained while working for other companies, still being relevant for the current activities. Thus, businesses seek to hire specialists with carried out expansion cases.

External forces:

1. Economic situation — depending on the e-commerce firm's assortment of goods, their product-market fit can be either relevant for the local audience or too expensive or cheap. The welfare of population correlates with the needs and willingness to implement new buying patterns in order to save money or improve the overall purchasing experience. For instance, cross-border marketplace of Chinese cheap goods may be a great asset for countries with low average income per capita and household, and the potential customers tend to tolerate certain inconveniences such as long delivery time to save money.
2. Legislation — the electronic commerce business model may be heavily influenced by the local governmental legislative decisions. The trade barriers such as import duties may affect and devaluate the unit economics, making the purchases rather pointless from economic perspective.

Moreover, certain government regulations may require expensive certifications in order to sell the goods to the local consumers.

3. Technological development — the level of technology adoption is crucial for the e-commerce, as the key selling channel is digital. Some companies have mobile-first or mobile-only products, requiring the customers to download e-shopping applications for such platforms as iOS or Android. The general level of smartphones penetration is currently relatively high even in countries with emerging economies, but this growth at rapid paces has taken place relatively recently. Thus, e-com firms are currently shifting their focus to these regions, while others fight in “red oceans” with competitors for market share in the developed countries.
4. Logistical infrastructure — some companies within the e-commerce industry not only sell their goods via digital channels but provide their goods or services online as well. However, most of the e-shopping firms after closing the sale with the consumer on the internet, face the challenge of physical delivery. In order to do so the firm has to partner up with either international logistics providers or local players. In regions with poor logistical infrastructure the challenge is much higher as the company may end up with substantial percentage of refunds due to failed delivery, along with much longer waiting time, worsening the customer experience.
5. Structure of customer demand — the preferences of the consumers vary in regions, shifting the value proposition relevancy for the audience. The structure may correlate with the economic situation in the country, but may be influenced by other factors as well, such as the customers previous experience.
6. Current competition — the competitive landscape of the target market is a crucial factor to take into consideration, along with the firm’s general entry strategies approach and preferences: either being the first-mover with the potential advantages and risks in order to establish their presence or following other companies to their international markets.

Chapter 2. Practical research

1. E-commerce industry overview

Even though the e-commerce has evolved into a full new industry and it has been intensively penetrating into the modern life and our purchase patterns, from historic perspective it is a relatively new mean of sales. Its emergence can be traced to the British Airways online ticket booking service in the sixties of XX century. Throughout the last decades e-commerce has modified substantially, providing entrepreneurs with new channels and clients with significant assortment. Technological development made it obvious for all stakeholders that previously established markets are going through drastic changes, requiring the companies to adapt and disrupt in order to stay relevant, satisfy the customer demand and grow. In order to do so, businesses have to set up electronic channels of sales or move fully online. This provides companies with an impressive potential, as e-com has made the transactional and geographical barriers much easier to pass on the internationalization process. At the same time, governments have to adapt to the modern reality as well by modifying the legislation for tax laws, intellectual property, etc.

Overall, e-commerce can be defined as “all business occurring over networks using the Transmission Control Protocol/Internet Protocol (TCP/IP)” (OECD, 1998). Within the industry there are multiple business models. One possible way of classifying the models is through the key participants of the deal: B2B (business-to-business: goods and services are provided by one legal entity to another), B2C (business-to-consumer: classical model of sales to the final consumer), C2C (consumer-to-consumer: both sellers and buyers are people), B2G (business-to-government: governmental procurements, for example, based on tenders).

Moreover, some models can be more compound within the electronic commerce. While many companies use their platforms to seek consumers, both final and intermediate, other exploit the internet technologies to provide platforms for third party companies to meet the needs of consumers. For instance, manufacturer selling products through Amazon platform is a B2B2C, as at that case, the goods and services are provided to the final consumers by 2 companies consequentially, or wholesale suppliers selling their goods via Alibaba is a B2B2B model. These models in general can be referred to as marketplaces, whose key premises are numerous suppliers and buyers matching on the platform, and the ability of the client to undertake the purchase without leaving the user interface: website or mobile application. The interest of consumers in the marketplaces is hard to overvalue, for example, Amazon had over 2.5 billion visits from desktop and mobile interfaces in a single month of December 2019 (Statista). The cross-border marketplaces, alongside with the managerial decisions on internationalization and further expansion, will be studied in depth later in the research.

The broader term for all the transactions and processes performed via the Worldwide Web is e-business. In order to sell via electronic channels, a wide variety of technologies are implemented to sustain the complex business processes: from basic ones crucial for the Minimum Viable Product (MVP) to more sophisticated, enriching the user experience, increasing the profit margins and optimizing the efficiency and effectiveness of the workflow. The former category includes, but not limited by:

- Web servers — instrument for hosting all the required files of the e-commerce platform. Some companies prefer to build up their own servers, but more and more firms tend to outsource it to third-party providers for hosting their site on a cloud server.
- Databases — infrastructure for storing the data generated within the platform, such as information about products (prices, description, inventory, pictures, etc.), clients (login, contacts, payment details), orders (quantity, delivery, total price) and many other. In order to reflect previously stored data on the website and save new information to the database there are multiple solutions like MySQL for stable interconnection and constant exchange.
- Frontend web tools — the stack of technologies allowing to present the product in an understandable and engaging way for the consumers to follow the purchase patterns. Key concepts inextricably linked with the frontend are the UI / UX design — user interface (the means of interaction for customers with the digital product) and user experience (overall perceptions and emotions from the interaction, and the incremental process of improving the flows in order to increase the conversion rates by providing more intuitive and easy ways of reaching the goal, e.g., purchase).
- Browsers and mobile operation systems — the user web software (Safari, Chrome, Firefox) and mobile applications (iOS, Android) needed to access the product.
- Enterprise Resource Planning (ERP) — managing substantial and fluctuating assortment of goods is crucial for e-commerce companies in order to have relevant information on the platform, ensuring that remaining inventory will cover the customer demand. Various ERP systems are integrated into the business processes for those goals, both outsourced SaaS-solutions and in-house developed products.

At the same time, various other technologies are implemented to create competitive edges and improve the basic product:

- Analytics — means of interpretation of the peripherical and main data in order to better understand the customer's flow of platform interactions, popularity of features, best-selling products and the target audience. One of the advantages of e-commerce is the abundant amount of generated data in comparison with offline channels. Therefore, the interpretations of the results may be used in order to influence the managerial decisions and improve the key metrics.
- Digital advertisement — as the average time spent by people while interacting with technologies in various ways increase, the digital channels of marketing are attracting higher rate of customers. Furthermore, for companies providing their services online, digital advertising is the optimal solution as it allows the consumers to directly pass to the platform, opposed to offline traditional channels, such as billboards or TV ads, forcing the potential client to undertake extra steps after the initial interest in the product. Digital marketing includes instruments such as:

- Search Engine Optimization (SEO) — optimizing certain website metadata, such as headers, and introducing relevant content, e.g., blogs, in order to raise the position of the site in organic results in search engines (google, Yandex, Bing, etc.)
- Online advertisements — pay-per-click instruments allow the companies to present their banners to audience on other websites, search result pages or social media. The advertisement cabinets are improving and get more complex for the businesses to tailor their ads settings, presenting the banners to audience meeting certain criteria, such as age, geolocation, interests, etc.
- Social Media Marketing (SMM) — as the amount of clients of social nets increase, companies turn to social media to create business profiles and share relevant content to the target audience
- Influencer's marketing — partnerships with bloggers appealing to the target audience. Influencer's content may lead to higher trust for the brand then traditional ads.
- E-mail marketing — mailings to gathered base of e-mail addresses to increase the retention and engagement rate.

- Machine learning (ML) — new technologies (e.g., Artificial intelligence (AI)) utilization opens up prosperous perspectives for electronic commerce companies to properly analyze the big data generated by user within the platform and in third-party companies:
    - Recommendation systems — providing the customer with goods and services he is more likely to purchase or use, increasing the engagement rate and lifetime value. Netflix personalized films and TV-shows recommendations or Amazon compilations of goods from specific categories serve as examples. The latter company's recommendation engine generates 35% of the revenue (Forbes).
    - Dynamic pricing — marketplaces with wide variety of products or business models based on sharing economy such as Uber can modify the costs for the buyer depending on his purchasing patterns, where the price may not be the key driving force for the buy within the projected probabilities of purchase, based on data-driven costs control models.
    - Automatization of ad campaigns — the machine learning models analyzing data of previous and potential customers can decide on the most potentially profitable campaigns, modifying the bidding rates.
    - Optimization of operational processes — big data is gathered not exclusively from user actions, but from the business processes as well. The projections from ML models are used to benefit more from economies of scale, for example, from consolidation of packages in the logistics channels without significantly increasing the expected delivery time.

As the number of people having access to internet increases, the digital channels gain popularity as well. The importance of electronic commerce industry is reflected in the key metrics — GMV, traffic, revenue, growth rates and others. The e-retail industry has yielded 4.28 trillion U.S. dollars in 2020, growing by more than 27% year-to-year, and projected to continue the increasing trend with forecasted 6.4 trillion $ by the year 2024 (figure 3, Statista).

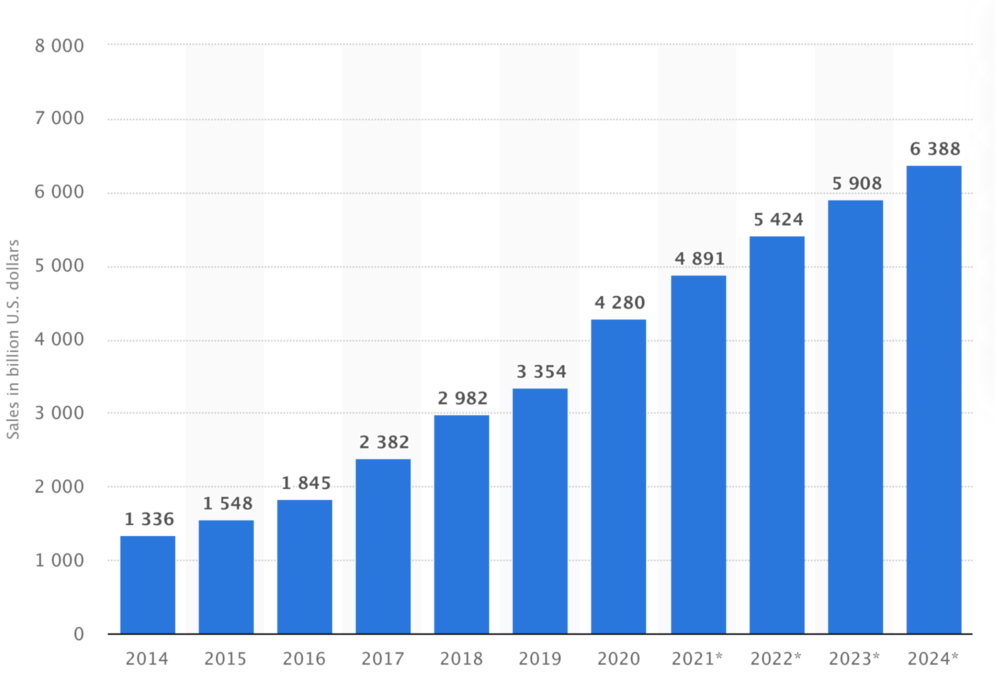

Figure 3.Retail e-commerce sales worldwide from 2014 to 2024 (in billion U.S. dollars)

In 2020 the digital retail has accounted for 18.1% of the whole retail sales with the projection of 21.8% share by 2024. The largest e-commerce companies are trading their shares publicly in order to attract external funds, and their capitalization have been steadily growing, bringing the two largest electronic commerce ecosystems — Amazon and Alibaba — to the valuation of 1.63 trillion and 600 billion U.S. dollars accordingly. Both corporations have went far beyond electronic trade, investing into fintech, cloud technologies, video streams and many others, however the core business is still within the e-commerce industry, providing their services both to retail and corporate customers.

E-commerce has been steadily growing across all over the globe, however some regions have gone further due to the technological development, logistical infrastructure, favorable legislation and other factors. For instance, in 2019 Chinese electronic retail industry accounted for 25% of the overall retail value with 1.5 trillion $ sales volume (McKinsey, 2019). In comparison, the United States e-tailors sold goods for 600 billion dollars reaching only 11% share of the retail industry. Electronic companies owe their favorable position in the Chinese market to a huge market of consumers willing to perform their purchases via digital channels — 855 million buyers per year. Nevertheless, this prosperity has led to vigorous competition among the largest corporations operating on the e-commerce market, raising the average cost of acquiring new clients and complicating the task of responding to the steadily growing demands of existing customers to maintain satisfactory retention rates. The leading corporation is Alibaba, having roughly 56% share of the electronic sales with platforms such as Alibaba and 1688 for B2B and AliExpress and Taobao for B2C, followed by JD and Pinduoduo with 16.7% and 7.3% shares accordingly (Emarketer).

Other markets with growing demand for e-commerce present interest as well. In Europe the overall amount of people buying digitally has grew from 286 to 293 million in 2020, yielding 269 billion euro of online expenses, an increase of 12% over a single year (Postnord). The international electronic trade also gained popularity with 220 million users purchasing goods from abroad due to the consistent improvements in logistics and the legislation with European Digital Single Market initiative (European commission). The strategy presented to the public in 2015 is one of the top ten priorities of the European Union and aims at abolishing the barriers for online cross-border trading among the 28 countries participants. In order to do so, the legislators focus on cybersecurity, trade tariffs, stable access to key technologies, protection of private data and consumer rights and many more. Thus, throughout the last years various legislative initiatives were put into motion. For instance, in order to have a better oversight over the logistics prices for international deliveries, new regulation on parcel deliveries pricing transparency was presented, allowing better control over cross-border shipments, as those may be a few times more expensive in comparison with domestic shipments. Another issue was indicated as geoblocking — discrimination of clients based in specific European countries. The new regulations oblige the online businesses to treat all the EU customers regardless of their residence. This, however, does not mean delivery at the same price from a German company to Italy and domestically, but only entitles the Italian customers to be able to have the goods delivered at a pick-up point in Germany for the same price as it would be for any Germany citizen. Other acts presented were securing the consumer rights better, by disclosing information on search results paid for by companies or on the service provider overall, by providing enhanced contractual rights, etc.

Another crucial piece of law influencing the electronic commerce in Europe is the revised Payment Services Directive (PSD2) (Mansfield-Devine S., 2016). The new directive sets out rules for banks to develop open-banking technologies (i.e., Open API) and provide BaaS (Banking-as-a-Service). The main goal of the regulation is to increase competition over the European payment services industry by providing access to Third Party Payment Service Providers, pathing the way for fintech startups to provide high-quality financial services to retail and corporate customers without the overwhelming and demanding process of obtaining a banking license. Additionally, the rules adopted by the European Commission in 2015 clearly aim to protect the customers privacy and prevent potential data breaches. Finally, common regulations on the pan-national level consequentially will allow companies to interact more effectively on the cross-national market. In the PSD2 two non-bank entities were stated out: Payment Initiation Service (PISP) and Account Information Service (AISP) (European Commission, 2015). The former one provides the user with interface for payments and is able to initiate a transaction. However, PISP cannot hold the funds in the process (Folcia, Zanetti, Cascinelli and Marcozzi, 2016). The latter provides informational services only, by consolidating on its online platform data from various payment service providers (e.g., banks). Both PISP and AISP can operate only with an explicit consent of the user.

The digitalized banking service provides safer and more user-friendly ways of payments, popularizing e-commerce services. For instance, in 2020 over 40% of Netherlands digital buyers had used PayPal (or similar services) and fintech mobile apps — e.g., Swish, Vipps (Postnord). Similar situation is in other European countries.

The electronic sales have been growing in countries with developing economies quite rapidly as well. In the Russian Federation, for instance, the penetration rate has already hit the 50% milestone, marking an important trend of electronic services popularity increase throughout the last years (Statista). As of 2020, the annual e-commerce turnover has come close to 3 trillion Russian rubles with 11% share of the overall retail, bringing Russia closer to leading e-com countries, such as the US, China and European states. The number of online purchases has been growing steadily for the last 10 years, increasing from 89 million to 890 million in the period of 2011-2020, with the most significant increase of 78% in 2019-2020 (Data Insight). At the same time, the average check is declining, -14% in the last year, due to the free of charge or cheap deliveries, usage of e-commerce on a daily basis for routine purchases and the emergence and development of new subindustries with low checks as e-pharmacies or e-groceries. In the Russian market the former one — online sales of digitalized pharmacies, including both the online reservations with self pick-up at pharmacies and the deliveries — has grew by 53% to 131 billion rubles, while the former — sales via specialized services for digital purchases of groceries, excluding universal marketplaces — has reached 130 billion rubles with a staggering rise of 250%, serving as a signal of adaptation to new online reality.

The forecasts for the Russian e-commerce market are quite optimistic and promising. Reaching a turnover of 2.7 trillion rubles in 2020, it is forecasted to grow four times to 10.9 trillion by 2025 with an average growth rate of 32%. Furthermore, the number of orders should exceed 1 billion already in 2021 and get to 4.8 billion in 2025, alongside with the continuation of declining trend of average bill.

The covid-19 pandemic has validated the crucial role of e-commerce since the classic offline means were unavailable to a great extent. Therefore, one of the key factors for the rapid growth stated earlier is the pandemic and consequentially the necessity of immediate change in the purchase patterns. New e-commerce markets, such as e-groceries, have went through demand rise of a revolutionary degree wherever businesses were able to provide competitive services. However, even after the pandemic the user preferences are predicted to still tend towards electronic purchases. Thus, large companies as X5 retail group (one of the leading Russian food retailers) invest heavily into the e-groceries channels. Another industry example can be e-pharmacies, presenting brand new means of sales for traditional products with a rather conservative structure of customer's demand. This changes present interest for ecosystems, aiming at providing large variety of services. Thus, corporations have been divesting via M&A. For example, Sber, largest Russian bank, recently purchased 90% of "E-Apteka" along with pharmaceutical company R-Pharm.

Based on the key industrial metrics, e-commerce shall be reviewed as one of the most promising channels for business development. Most of the companies have already invested into the establishment of their own digital sale channels or into the presence on largest marketplaces in order to either reach new audience or keep the relevancy for the existing customer base after the alterations of the purchase patterns.

2. Research design

2.1. Methodology

The practical research methods may be divided into qualitative and quantitative. In case the hypothesis is narrow, the study design is thought-through and the potential respondents base is sufficiently large, the quantitative methods for data collection may be used, such as surveys and questionnaires. The numerical data then is analyzed through statistical models. However, in earlier stages of research, when the hypothesizes are broad and the aim is to provide the researcher with more detailed description of the topic. In order to do so, following quantitative methods are used: interviews, focus groups and case studies. Usually, the data is gathered in form of words or pictures, and later on is analyzed to develop the concepts and better understand the motivations. While both are useful in the international business studies, as the key topic of the thesis is the factors affecting entry strategies to international markets, being a part of the managerial decision-making process, the most suitable instrument to derive conclusions is from qualitative study via interviews with the top managers, along with case studies of e-commerce companies' expansions.

Furthermore, the following types of interviews are distinguished: structured, when the list of questions is predetermined and structured (commonly used in quantitative research); semi-structured, in case there is a list of potential topics for discussion, but depending on the conversation their order may be amended, and other questions can and should occur in order to explore the theme; and unstructured, or in-depth interviews — the topic is stated, but the discussion is rather open (Saunders, Lewis, Thornhill, 2009). For the purposes of this study semi-structured type of interviews was chosen to gather necessary information while leaving space for potential discussion and new insights.

With regards to research approaches, there are two main categories: inductive and deductive. The former one is more common when there is little literature available on the topic. Thus, the theories emerge basing on observations and patterns found within the gathered data. At the same time, the latter methodology is used when the theory is presented, hypothesizes are stated and need to be tested on new data. Therefore, for deductive studies first the existing theory is reviewed, and based on the key takeaways a few assumptions are presented, followed by applicable data gathering and further analysis of it to verify or reject the hypothesizes. This study is mainly deductive, as various internationalization theories were reviewed, followed by applicable theory for Born Globals, as this describes to a certain extent the e-commerce international companies.

Based on the literature, factors affecting managerial reasoning were stated in order to later identify their applicability through the analysis of the data gathered through interviews and case study in the practical part. The methods used for the further analysis can be categorized as a mixture of content and narrative analysis, as throughout the interviews the collected data is then used to identify patterns and gain a deeper understanding of the expansion stories told by top managers.

2.2. Choice of companies

Alibaba Group

In order to explore the internationalization and entry strategies in the e-commerce industry from practical perspective Alibaba Group was chosen, as it is one of the internet giants with interesting history and remarkable success path.

Nowadays Alibaba is a publicly traded corporation with a valuation of 600 billion U.S. dollars, and its sphere of interests prospers far beyond e-commerce. Still, platforms for digital sales remain the core business and key value generator. The e-com ecosystem includes B2B marketplaces, such as Alibaba for connecting businesses globally and 1688 for domestic wholesales, B2C platforms, like AliExpress and Tmall Global, selling Chinese goods to customers in more than 200 countries, and Tmall for the local population, and a C2C marketplace — Taobao. Alibaba has reached a staggering share of 56% of the domestic retail e-commerce market in China thanks to advanced technology, deep understanding of customers' needs and perfect timing for starting an internet company. The corporation serves as a workplace for more than 24 thousand employees in 70 offices located in China and overseas with a mission of "making it easier to do business everywhere".

Alibaba was founded in 1999 by Jack Ma, who previously worked as an English teacher, and his team of only 18 people in Hangzhou with the goal of connecting SME's (small and medium enterprises) to improve trades. From the beginning they had a global strategy, which only strengthened over the course of following decades. Company has consistently worked towards creating safer solutions for conducting deals in the atmosphere of mutual distrust by, for instance, creating authentication processes for businesses and providing corporate credits in partnership with domestic banks, making fraud cases less likely.

Alibaba has not stopped at B2B. In order to reduce the rising popularity of Western C2C platform — Ebay — they have launched Taobao, which turned out to be one of the biggest e-com marketplaces in China.

In 2005 American internet corporation Yahoo has invested 1 billion dollars for a 40% stake in Alibaba, improving the image of the company in the Western world. Furthermore, their initial public offering at New-York stock exchange was the biggest in history at the time with the valuation of 25 billion dollars. The attracted funds allowed the company to improve the quality of their services provided worldwide via M&A, establishment of new subsidiaries overseas and improving the logistics channels.

Consequentially, Alibaba has decided to divest, allocating funds into other industries, providing financial services, cloud computing resources, building entertainment services, news and communication channels. All of their business units naturally generate an excessive amount of data to be analyzed by the corporation for providing even more personalized experience and become more independent from the e-commerce.

However, the significant market share of Alibaba has led to close attention of the Chinese governmental authorities. After Jack Ma publicly criticized the Chinese banking system, the IPO of Ant — Alibaba financial subsidiary — was postponed till further notice, and Alibaba Group was fined by the government for the sum of 2.8 billion dollars for anti-competitive practices.

Joom Group

For deeper understanding of the management's decision-making process while expanding internationally, the company "Joom" was chosen. Joom is a European internet company with Russian roots. It was founded in 2016 by Ilya Shirokov, serial entrepreneur and founder of the first Russian social net — "My Circle" ("Moi Krug"), which was successfully sold to Yandex (one of the largest IT companies in Russia) in 2007. From 2010 to 2016 he was the president of another Russian social net — "Classmates" ("Odnoklassniki"), part of the Mail.Ru group (another Russian IT-giant). Other cofounders are Ilya Rubin, ex-CTO of Yandex and current CTO of Joom Group, and Yuri Ivanov, who worked alongside with Shirokov in the "Classmates" in order to make the company profitable and later became the Joom's CMO.

Joom Group currently has various products, however the original product was an online B2C cross-border marketplace with the mission of providing a wide variety of products at a cheaper price. After its emergence in 2016, it became one of the most rapidly growing e-commerce platforms worldwide. By 2018 Joom reached a milestone of 100 million users on web platform and mobile applications. As of 2021 the user base has grown to over 370 million. The monthly active users (MAU) are averaging at 20 million, while the number of unique buyers (ABU) is around 16 million on a yearly basis. Being a mobile-first company, 95% of the purchases are performed via the apps. Joom is fully localized to 21 languages, including Asian and Middle Eastern, and delivers goods to more than 150 countries. The key specialization of the marketplace is cross-border parcel deliveries from Chinese, Korean, Turkish, Ukrainian and European merchants.

Even though the main development hub is located in the Moscow office, the headquarters are located in Riga, while other offices are spread all over the globe: Chinese mainland, Hong-Kong, Berlin, Luxembourg and California, serving as a workplace for around 400 employees.

Starting from a B2C marketplace five years ago, currently Joom Group has a much wider portfolio of companies:

- Joom Logistics (JL) — in-house logistical company with office in Hong-Kong, created for vertical integration and in order to fully control the delivery process due to the low reliability of other logistical companies, delivering from China and other markets. Thanks to JL the average delivery dates to CIS and Europe were decreased from 35-40 days to 14-28, while the refund rate due to nondeliveries went down to 2-3%. Moreover, company's own sorting centers and logistical hubs allow consolidation of goods into one parcel, making the client happier, as he has to receive only one shipment, as well as decrease the delivery costs. In addition, throughout the last year Joom Logistics is working closely with various international e-commerce companies to provide outsource logistical services for shipments.
- Joom Support — one more in-house company, created to provide high-quality and personalized support for all clients, as the company had faced challenges with outsourced agents. The support company employs around 450 people, working in multiple languages.

- JoomPay — fintech startup with orientation on the European market, obtained a banking license in Luxembourg in early 2021. Key goal is to provide easy way for P2P (peer-to-peer) money transfers and for small enterprises to get paid.
- JoomPro — B2B marketplace delivering goods from Chinese merchants to wholesale customers, wishing to easily procure products from other countries. The competitive edges are based on the expertise built in B2C cross-border activities JoomPro is a "one-stop shop", providing the full range of B2B-specific services in accordance with the local law: customs clearance, certifications, large shipments logistics, etc. Launched as an internal startup within Joom X — laboratory for new experimental products.
- JPharm — German pharmaceutical marketplace with the mission of providing medicaments at the cheapest price possible with door-to-door delivery. Launched as an internal startup within Joom X — laboratory for new experimental products.

Joom present interest for the research as it has exhaustive international e-commerce experience, tested various entry strategies, competing on a global level with well-known marketplaces as Amazon and Alibaba. Moreover, it was originated as a born-global startup, having a global international vision from the start. The founders were well aware that in order to become profitable the company has to compete globally on the cross-border industry, as focusing on one market requires competition with strong domestic marketplaces.

2.3. Research setting

For deeper understanding of Joom's motives for internationalization and the managerial reasoning for choosing among various entry strategies, several semi-structured interviews were performed with key decision makers: Ilya Shirokov, Joom's founder and CEO, who agreed to share invaluable insights on the high-level strategy; Yuri Ivanov, co-founder and CMO, about the marketing strategies while expanding; Elizaveta Goncharova, CPO, responsible for the product strategy and localization; and Dmitriy Chernyshev, head of Joom Logistics, about the company's strategy from logistical perspective and the difficulties faced while establishing new channels.

All of the respondents were asked a set of questions on Joom's expansion strategy in the beginning, criteria for market choices, motivation for entry to a new market, modifications of the entry strategies, influence of various factors (e.g., network) on the decision making, marketing strategies, localizations, organizational design and a set of other questions, concerning the specialization of the respondent (e.g., logistics, marketing and product management). The full list of questions asked during the interviews can be found in Appendix 1. As the interviews were semi-structured, additional insights were extracted during the discussions led through follow-up questions.

Moreover, in order to validate the similarity of consumers among various markets key driving forces and priorities while choosing an e-commerce platform a quantitative research was performed along with Joom research team in countries with developed and emerging economies and the key conclusions are presented.

3. Research results

Throughout the interviews, conducted with key Joom specialists, many insights and conclusions on the managerial reasoning in the company and the international e-commerce industry were drawn from the discussions.

Overall, Joom now delivers to around 180 countries and has stable new orders from at least 116 of them. However, five years ago the situation was different: in the first few months the MVP (minimum viable product) was released only in Russia, as there was sufficient amount of market knowledge and established network. During the first years, only Chinese goods were available on the platform due to their cheap prices and the value proposition of the marketplace.

At the same time, the ambitions were global from day 1: Ilya Shirokov, after successfully building a few market-specific businesses for Russia, decided to choose exclusively business models with global potential. Still, during the first year Joom was operating first only in the Russian Federation and then in neighboring countries. Therefore, the first international expansion was made to similar countries in economic, political and cultural perspectives — Belarus, Ukraine and Kazakhstan. The expansion was done with little efforts, as in all those countries most of the people speak Russian and no localization was needed for initial tests, as well as the Russian logistics channels were operating there too. Later though after some markets prove the potential, localization was done. After Joom took off and started gaining many clients, one of the key global competitors — American marketplace Wish — paid attention to the Russian market, in general, and the rising popularity of Joom, in particular, and started buying out all the relevant online traffic — key marketing channel. Thus, the top management faced a difficult decision: either to start burning money on target and contextual marketing, leading a bidding fight with Wish, at the same time giving most of this money to Yandex (one of the largest advertisement platforms in Russia), who also invests heavily into own e-commerce services, or to enter other international significant countries in order to diversify the risks, grow out from the status of a regional player and fight Wish on the global market.

Second round of expansions was made to Europe, as the Chinese merchants had necessary logistics means to ship there, the infrastructure for deliveries was well-established, and the legislative requirements were similar among EU markets. The challenge of such rapid expansion was the resources allocation as during the initial stages the product is still far from perfect, therefore it is hard to scale up, while the expansion required certain modifications. For instance, the platform had to comply with PSD2 in order to receive payments from customers. Nevertheless, Joom's key payment specialists, having previous experience and expertise in establishing needed online acquiring infrastructure in accordance with European law, in a couple of months they were ready to expand to the target markets. The first markets — France and Spain — were chosen due to the previous experience of commercial operations there of the chief marketing officer. The market insights have allowed easier establishment of customer support and advertising on the local languages.

From the beginning Joom heavily invested into ML technologies in order to provide personalized service for the customers. The expansion to France, for instance, was challenging due to the previously gathered data of customers behavior from countries with emerging economies, on which the models were taught. Consequentially, the models suggested cheaper goods and less relevant categories, decreasing the average check and lowering the GMV. Another difference noted was the motivation for purchase: for example, French customers motivation for purchases was mostly impulsive, as well as the Spanish ones. Consequentially, the ML models were recommending goods more accurate for markets with similarities, taking into account purchase patterns.

One of the peculiarities of cross-border marketplace, which eases the expansion process, is that across all countries of presence, four main reasons were stated for purchasing via Joom: cheap prices, robust logistics, customer support and rare findings within the wide assortment of goods. Still, identifying the main purchase driver in the host country is crucial for establishing correct marketing campaigns and positioning. In order to do so on early phases of expansion and identify the most promising market positioning in the host country, the company started to generalize and look for factors in common across previously entered markets. Eventually the team came to the realization, that many factors were similar among countries with close economic situations. For developed markets the logistics and local customer support

The differences and similarities of clients' priorities while choosing an e-commerce service for purchases was proven by various qualitative and quantitative studies performed by Joom's research team. Firstly, respondents were asked openly structured questions in interviews to understand potential motivations for purchasing via e-com marketplaces and establish the key factors influencing their satisfaction. Later on, a survey was sent out to a few thousand respondents with questions with structured answers in order to gather enough data for statistically significant results. In countries with developed economies, like Germany or France, the users were paying much attention to factors like the robustness of logistics, variety of goods, customer service and the overall user experience (UX) of utilizing the service, while in other countries with emerging economies, like Russia, the users paid most attention to the cheap prices and personal recommendations. Thus, in the latter category of countries marketing activities such as discounts work better, while the potential for new features is commonly tested on users from the former category of countries and the support activities are more locally oriented and well-funded.

Another growth driver is the lack of local e-commerce competition: after the expansion to the first few countries, Joom identified markets with low or no presence of local online marketplaces, such as Greece or Portugal. Due to the inability to purchase goods via domestic online sellers, the popularity of cross-border services increases. Moreover, expansion to countries or regions with not only low level of competition, but relatively small population as well, leads to the increase of informal marketing channels, such as word of mouth. Thus, such small markets are attractive for Joom as the penetration rate increase in the population is achieved at a smaller cost, allowing untraditional for e-commerce marketing channels. For instance, in Rhodes Joom became the sponsor of a local football team, improving the brand awareness. This was an important mindset change — the investments were made based not only on the cost of install attraction overall, but also from the perspective of reaching a threshold when a large market share is achieved, consequentially improving the retention rates due to the familiarity of using Joom by many consumer's acquaintances, reinforcing each other to continue purchasing via the platform. However, even in countries with well-established e-commerce presence, such as France, although the share of the market is lower, the rapidity of purchases is higher. Thus, loyal client's LTV (lifetime value) is higher, and it is easier for consumers to migrate between platforms due to lower switching costs.

The entry strategies for the business model in discussion do not vary as much as, for instance, for more traditional industries (e.g., automotive) with large market commitments possible. However, there are a few moderations for cross-border e-com marketplaces as well: in case the management was not certain in the popularity of the service, the marketing team firstly attracted paid traffic for a product that has not yet been operating in the country. That allowed the collection of initial data on conversion rates and CPC (cost per client) prior to investments into logistics channels improvements, market-specific campaigns, localization and others. For instance, when the expansion to countries of South America was happening, due to the lack of market understanding Joom was able to get invaluable insights on the key e-commerce metrics for further operational decisions. Expansion to other markets, similar to those with previously established presence in terms of legislation, purchase patterns and economic situation, were entered without preliminary tests on conversion rates at all, or with less time spent prior to scaling up the operations.

Another key indicator of market commitment increase is the localization of the platforms to local languages. While for many markets prior to full localization the product was working in whatever languages available for the purpose of identifying the potential gain, the management distinguished strategic markets, where the entry was done as soon as possible, and where the localization was happening in parallel with the expansion. At the same time, those countries were entered along with the creation of support team, speaking the local language.

Furthermore, the target country's legislation influences the market entry strategy. For example, the expansion to Mexica was performed rather at a low cost: only an integration with the local payment provider was needed, the localization to Spanish language was already done earlier, and the local customs law was favorable towards cross-border B2C trading. At the same time, in other countries such as Brazil, the customs clearance legislation was so strict, that Joom was not able to provide the service as user oriented as intended. Customers had to pay additional fees to the government in person upon receival, complicating the process of getting international parcels and resulting in Joom's termination of presence in the market.

From logistics perspective, the entry strategies differentiate as well: on one hand, conventional markets with developed economies mostly have customer-oriented infrastructure for international shipments receival. Therefore, the expansion is based on either existing network of regional logistical partners or the network creation is rather uncomplicated. On the other hand, many markets have less developed logistics, and the first shipments are thoroughly studied to understand not only the market interest, but the nondeliveries rate, frauds and the customer satisfaction. Afterwards for certain promising host countries the company may invest into the network development by partnering up with local logistics players to provide better service for the clients. In most of the African countries, however, despite the lack of competition, cases of fraud were so frequent that the unit economy was unsatisfactory. In contrast to Africa, the expansion to numerous South American countries was eventually successful, even though first logistical channels were both expensive and unreliable, and it was only later when Joom Logistics invested into local partnerships for providing better service.

A similar situation is observed in the network of financial partners: with the rise of fintech companies, often active either on a specific market or in a region, the local e-commerce users are more used to digitally pay via these services. Thus, the partnerships with those companies potentially lead to higher number of attracted customers. For instance, the Swedish market was originally chosen as a strategically important one, and simultaneously with the initial expansion Joom has started working on the localization to Swedish language and on the integration with Klarna — leading local fintech service, allowing consumers to order now and pay later. Another financial challenge is the local legislation. In quite a few countries international businesses have to open up local bank accounts and are allowed to withdraw money abroad only if a number of conditions are met. Thus, for businesses such as Joom, where the traffic is procured in a centralized manner, such cashflow possesses a great barrier for entrance and consequentially forces businesses to have sufficient market commitment and belief in the host country from day one.

The network with both logistics and financial partners influences the future market choices and entry strategies to them, as the existing partners are commonly regional companies, offering the services in a variety of countries. Moreover, partnerships with the largest global companies often come at a more expensive price but provides the company with necessary agility and speed while entering new markets to perform initial tests. For e-commerce companies the efficiency on first stages of internationalization and expansion comes second to the ability of performing tests quickly. Nevertheless, after the data is collected, markets are studied more thoroughly and the company seeks ways of optimization — establishing local network, for instance.

One more interesting peculiarity of e-commerce global companies' expansion is attributed to the entries to strategic countries. In contrast to many others, certain markets are entered in order to establish strategically important presence. With Joom, such country is the United States. The competitive landscape is extremely challenging due to the local strong presence of electronic commerce companies and the high level of customer standards for delivery and goods quality. Nevertheless, the presence at such market for global company is crucial for the reputation and valuation. Therefore, Joom is not aiming at conquering substantial market share, while providing service for loyal consumers and staying at break-even point.

Alibaba Group

The case study on Alibaba's history of internationalization and entries to numerous overseas markets has shown their aggressive expansion strategy, starting from exporting, followed by the strengthening of market positions via foreign investments into strategic alliances and local subsidiaries.

Many factors were similar to Joom entry strategies, such as the execution of initial tests through exporting to new countries with low level of investments needed. Additionally, both companies can be perceived as international new ventures with global vision: Alibaba and Joom early internationalizations were performed within the first two years of existence, the top-management had international experience prior to establishing the business and have started investing into the network from first stages in order to successfully scale up. However, a few other factors were crucial for the successful internationalization and entering certain target markets.

Alibaba's global activities were getting significant advantages from the external economies of scale due to various strategic initiatives of the Chinese government. In 1999 the Go Out policy, also known as the global going strategy, motivated Chinese companies to internationalize and provide their services to markets abroad. Main instrument utilized was the provision of loans for overseas expansion activities. Moreover, various fairs were organized in China for international corporate customers to see products in real life for potential purchasing, often via Alibaba platform.

However, arguably the most influential impact was done by infrastructural improvements. Governmental actions strengthened not only the domestic logistics, but also the exporting channels to neighboring countries via bilateral accords with, for instance, the Russian Federation.

Another difference is the Alibaba's strategy on improving the market position both domestically by providing wider variety of international goods to Chinese clients, and internationally by improving the quality of their services to consumers overseas. The size of the corporation allows much more significant investments on international logistics via the creation of exporting centers for better delivering to certain regions, or direct access to many countries' governments for joint ventures and investments. For instance, in order to improve their position in Europe, in 2014 Jack Ma and French minister of Foreign Affairs conducted negotiations to provide better conditions for European luxurious merchants wishing to sell their goods via Alibaba services like Tmall.

Another example of Alibaba international strategy is the AliExpress entrance to the Russian market in 2010 and further expansion activities. Taking the competitive landscape into consideration, company has decided to shift their focus on other regions instead of Moscow and St. Petersburg. As a result, AliExpress website ranked first and most popular in Russia in 2014, while in 2015 their Android application became the first one in the rating.

During the economic crisis in Russia in 2014 with the rapid devaluation of the local currency — Russian Ruble — the purchasing abilities of the population declined, and AliExpress was able to provide relatively cheap Chinese goods. Furthermore, in order to continue growing their market share, AliExpress has opened the first offline store, improving the reputation and increasing the brand awareness. The high-speed popularity growth rate of cross-border e-commerce resulted in substantial logistics issue due to the limited capacity of Russian Post, delaying deliveries of parcels occasionally up to the period of half a year. After the Russian Post CEO was fired and many Chinese companies built robust logistics channels and increased the number of flights, the situation improved.

In 2018 the strategy of Alibaba of intensification of presence led to the creation of joint venture of AliExpress with Mail Ru group and two other actors, serving as a clear indicator of the market commitment and strategic long-term plans of the Chinese government for the host country.

Chapter 3. Analysis

1. Qualitative data analysis

The insights gathered throughout the case study on Alibaba and interviews with Joom top management shed light on the decision-making process while expanding to international markets and choosing suitable entry strategies.

The table below reflects the applicability to e-commerce global companies of the theories, reviewed in the first chapter:

Ethnocentric & Polycentric strategies	Global digital sellers tend to provide a rather unified approach, keeping the marketing and product strategy ethnocentric, controlling most of the operations from the HQ.
Uncontrollable external forces	The host-country situation (economic, political, legal, etc) influences the expansion decision, as well as the market commitment reflected in the chosen entry strategy.
First-mover advantages	Markets with small competition possess great interest to e-com cross-border firms, as the initial expansion is mostly undemanding investments-wise. Thus, being among the first movers allows the firm to collect market data, study the metrics and either make a decision on further scaling up or turn down all the activities.
Follow-the-leader	Expanding to other markets with established presence of competitors is done only for strategic markets, where the presence is currently important due to the global nature of the corporation and the operations are not as profitable as in other markets.
Psychic and physical closeness to the target market	Cultural similarity of home and host markets simplifies the expansion due to the experience gained in close regions. Understanding of the local audience increases the market commitment. Moreover, expansion to psychically and physically close host countries require less investments into the internationalization.
Network theory	Established network appeared to be a crucial factor for successful expansion in the e-commerce industry. Furthermore, the logistical and financial network serves as an overall premise for entering the market in pursue.
Uppsala Model revisited	The expansion to other countries may be carried out based on existing network, but later activities for improving the market position are commonly carried out via upgrading the network by establishing new partnerships with regional or local service providers.

Market, resources and efficiency goals	E-commerce expansion motivation can be largely attributed to the attraction of new customer base. At the same time, both resources and efficiency did not prove to be the key drivers for entering new markets.
Product Life Cycle theory (Vernon, 1966)	The product life cycle overall is valid to e-commerce companies, as the digital product reach a point of demand decrease in certain markets. However, this does not usually serve as a driver for entering other countries for businesses with global vision from inception. Thus, from internationalization perspective the theory does not seem to match the practical reality of the e-com industry.
Economies of Scale	Both external and internal economies of scale are crucial for e-commerce international operations — the former provides companies with easier, more comfortable expansion, while consumers are getting used to digital purchases overall, as, for instance, in Europe due to the legislation and or in China thanks to technological development and governmental subsidies. At the same time, the latter is crucial for the operational efficiency: with the increase of volume, the margins may increase as well due to the consolidation of shipments, better data for improving the ML models, etc.
Reactive & proactive approaches	Both reactive and proactive entry models were discussed in the qualitative study. For instance, Joom's expansion to Europe was carried as a reaction to the competition intensification in the home market, while many other entries were made proactively by exploiting the current competitive advantages and established network in new markets, where the expansion was rather undemanding.
Uppsala international model (Johanson, Vahlne, 1977, 2009)	The incremental increase of investments into the target market via step-by-step expansion is somehow applicable to the e-commerce industry too, but the variety of strategies is not so diverse: for cross-border marketplaces the main indicator of market commitment is the creation of local entities, localization and local partnerships, moving from primitive export / import activities to strategic partnerships and fully local product.
Imperfect market conditions	As foreign direct investments are not so common for digital sellers, the interconnected FDI theories are less applicable. Still, many industry leaders, like Alibaba, due to the oligopoly and large share of the market, are entering other markets in an aggressive manner, burning

	money on traffic and establishing local subsidiaries in order to improve the service for the local audience.
Internalization theory (Buckley, Casson, 1976, 1998)	Due to the nature of e-commerce foreign investments and technological know-hows, the internalization theory is not influential for e-commerce firms internationalization and choice of entry strategies.
Eclectic theory (Dunning, 1980)	For reasons stated above, the internalization, ownership- and location-specific motivations are not applicable for the decisions on entry strategies and the host market investments.
Born Globals	Many international e-commerce companies can be perceived as International New Ventures, which expand internationally in a much more rapid pace. Such firms have a global strategy from inception, driving them internationally more rapidly.

Part of the factors, derived from the theoretical review for the e-commerce industry, are proven to be highly applicable for managerial decisions on internationalization and entry strategies, both internal and external ones, while others seem to not be as influential on the reasoning for expanding for companies wishing to operate on other markets and attract new potential clients. At the same time, factors affect differently in countries with emerging and developed economies.

Internal factors:

1. Market knowledge — level of the understanding of the target market and its customers influences the choice of the market and the number of initial tests that are performed prior to further investments.
2. Psychic closeness to the target market — the psychic closeness for e-commerce companies is important due to the natural understanding of market behavior, along with better exploitation of ML algorithms. The geographical closeness turned out to be important also in the sense of cultural similarity, as most population in neighboring nations share quite a lot of cultural similarities. Moreover, the expansions to other countries in a region is often easier due to the regional presence of partners.
3. Network positions — the e-commerce companies in this study heavily rely on third parties: payment services providers and logistical partners. With the right network, the company operates more efficiently. Moreover, with the increase of market commitment and the improving of network's position local partners are getting involved, resulting in the increase of perceived and real value for the final consumers in the host market.

4. Firm’s ambitions and risk-aversion — international expansion strategies of e-commerce firms, mostly being born global start-ups, are more likely to be aggressive and risk-accepting by definition. However, the peculiarities of digital expansions allow the firms to perform sufficient tests in new countries to determine the potential market share. Still, the aggressiveness may be influential in the decisions on expansions to risky markets and investments for conquering market shares even with unsatisfactory initial results.
5. Stage of product’s life cycle — as mentioned in the theoretical applicability table, the product’s life cycle stage did not prove to be a key factor influencing the internationalization and entry strategies.
6. International experience of the firm — previously gained internationalizing experience influences the entry strategies, as firms have better understanding on how to run operations in the uncertain conditions of newly entered markets more efficiently and less risky. Due to higher uncertainty in developing countries, this factor is proven to be more influential while expanding there.
7. International experience of the top-management — the expansion expertise and the key personnel experience of running business operations abroad in certain host countries, while working for other businesses as well, influences not only the entry strategies due to previously learnt best practices, but also heavily impact the market choices.

External forces:

1. Economic situation — the cross-border electronic commerce firm’s specialization and value proposition proved to be relevant differently for countries with developed and emerging economies. Thus, companies have to adapt their product-market fit in order to achieve better results and appeal to higher share of the local population. For Joom’s services provided, for instance, in Western European countries the variety of unusual goods and logistical robustness were more important, then the possibility of purchasing goods at cheap prices, which is one of the key factors for CIS countries. Additionally, countries with emerging economies prove to commonly have higher fraud rate.
2. Legislation — selling goods and shipping parcels internationally nowadays is a well-regulated subindustry. Thus, various legal obstacles, such as trade barriers, acquiring rules or import tariffs influences both the global companies and the local customers. Thus, the external factor of host country’s laws has to be taken into consideration by managers while deciding on further expansions. The local legislation is a crucial factor for all target markets.
3. Technological development — digital means of channels are by definition available only for the customers who adopted technologies and have either web interfaces or smartphones with internet access and application stores (e.g., Google Play or AppStore). Therefore, this data is studied while prioritizing potential markets for expansion. The understanding of the level of technological penetration is invaluable specifically for developing countries.

4. Logistical infrastructure — the refund rate in countries with less developed logistics channels can be substantially higher due to non-deliveries. Establishing certain robustness to keep the operational profitability is a challenging task. Moreover, the global network of various logistics services providers is less likely to cover such regions, making the company look for new potential partners. Thus, the expansion is more demanding and less likely to happen rapidly. Due to the correlation of the infrastructure to the economic development, the initial tests on logistics channels' reliability are more thoroughly performed in emerging markets.
5. Structure of customer demand — the preferences of the consumers vary in regions, shifting the value proposition relevancy for the audience. The structure often correlates with the economic situation in the country, but may be influenced by other factors as well, such as the customers previous experience with e-commerce services, setting various levels of standards and expectations.
6. Current competition — the competitive landscape of the target market is a crucial factor to take into consideration, along with the firm's general entry strategies approach and preferences: either being the first-mover with the potential advantages and risks in order to establish their presence or following other companies to their international markets. The business activity commonly correlates with the national economic, therefore, the competition is more relevant in developed countries.

During the study, a few other factors were mentioned by the top management as influential on the decision making:

1. Population size — small countries, such as Malta, may not only be missed by international e-com giants, but also lack domestic online competition. In such nations it is cheaper to utilize other forms of marketing, especially offline channels such as paid sponsorships or TV-advertisements, in order to achieve high level of product awareness among most of the population. Consequentially, utilizing the product can become trendy.
2. Purchase patterns — customers in various regions have different patterns for purchases: while in some countries people are more likely to buy pragmatically, in other the product is used more spontaneously, and the purchases are impulsive. Based on this understanding the marketing campaigns can be modified.
3. Technological development of the company — the adoption of innovative technologies, such as machine learning for big data analysis plays crucial role, as it allows the company to scale up quicker and adopt more aggressive entry strategies.

2. Limitation of the study

This research mainly focused on the publicly available data on Alibaba, and the managerial reasoning of Joom's top management based on the semi-structured interviews with CEO, CMO, CPO and head of the logistics company. Due to the current structure of the company, most of the metrics and financial statistics are unavailable to the public and therefore the financial analysis cannot be included into the thesis.

Another key limitation is the sample diversity of the qualitative study. The unavailability of reaching top-management in other e-commerce company may lead to certain bias, as this study could research in-depth only the managerial reasoning of entry strategies of a single company. Moreover, without access to Alibaba top-management the picture cannot be full, as mostly the study is focused on influential factors on choosing their entering strategies.

3. Potential for future research

As mentioned above, Joom is a privately owned company. However, in case Joom Group will go public via IPO most of the data will have to be published in forms of financial reports, laying out potential for detailed numerical research on the successfulness of strategies in different countries.

Furthermore, author's position in Joom allowed direct access to the people responsible for the expansion strategies. However, decision making in other international companies in the e-commerce industry can be studied qualitatively as well: carrying out interviews with Alibaba top management can shed light on the similarity and difference of factors, forming and influencing managerial reasoning with regards to entry strategies, among various companies with similar business models.

The new trends of the e-commerce industry, such as social e-com or dropshipping, can be studied as well in order to understand and assess their influence on expansions. Utilizing new technologies and providing unique services establish competitive edges which may ease the internationalization, or even form new entry strategies.

Finally, the e-commerce has already became a very diverse industry and the potential factors influencing entry strategies in various subindustries might be studied as well. This research mainly focused on cross-border B2C trading, while, for instance, the exploitation of electronic channels by traditional companies only in the process of digitalization and their use of e-commerce in order to internationalize is yet to be reviewed and studied.

Conclusion

In the thesis the processes of internationalization were reviewed from various angels: the theoretical studies were presented to assess the factors forming the managerial decisions, along with the concept of born global companies, from which certain factors were picked as largely applicable for e-commerce industry from theoretical perspective. The literature review allowed to form a substantial foundation for further practical research by distinguishing various factors and internationalization theories, that later can be compared to the practical findings in order to find correlations and pattern matchings. The statistics of the industry helped to form an overview of the potential for digital sales overall and international e-commerce in particular. The key metrics proved the importance of the industry, as well as validated the scientific interest for the international business studies due to the constant emergence of new business models and rapid digitalization of corporations. The Covid-19 pandemic has served as an additional proof of demand for e-commerce channels with staggering year-to-year growth rates like 58% in the Russian Federation.

Overall, the entry strategies for international e-commerce corporations can be structured to the following sequence of actions: initial tests on non-working product for understanding the conversion, first trial shipments with existing network, if possible, to identify the logistics robustness and fraud rates, identification of the potential for growth and the bottlenecks like lack of local network, followed by the localization of the product and new partnerships with payment or logistics providers and further investments into the marketing for countries proven to have potential.

During the practical research in the form of a case study and qualitative interviews many factors influencing the managerial decision-making process while deciding on entry strategies were stated and later compared with previously reviewed theory. Each factor potentially influences every step of the internationalization process described above. Among others, the key factors affecting the managerial reasoning on entry strategy — network, market size, competitive landscape, technological development, economic situation, cultural closeness to the host country and local legislation. For countries with emerging economies, it was crucial to identify the fraud rate, robustness of logistic channels and penetration of internet devices, while for developed nations the domestic competition (along with the presence of international companies), legislation and clients' expectations turned out to be the most influential factors for the management. Moreover, the priorities of the local audience were taken into consideration while deciding on the entry strategies and further continuous activities for strengthening the market position: for developed countries, for instance, the establishment of local customer support was crucial, while for developing ones the main work was performed for decreasing the prices by network improve and discounts.

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Appendix 1.

1. Initial international strategy:
    a. Was Joom originally planned to be a global company? If yes, why international expansion was chosen as the key strategy for growth, instead of focusing on a small number of markets?
    b. How were the first markets chosen?
    c. Did the top management wait for results from the first market before further expansion?
    d. In the second round of international expansion, were the market chosen partially based on the first one results? If yes, in what way? Were the markets similar at any sense to the first ones?
2. Expansion motivation:
    a. Has the motivation changed over the years? In what ways?
    b. Is the Russian market considered as a home one? If yes, does the intensification of competition from AliExpress in the B2C cross-border industry influence the investments for further expansion to diversify the risks?
    c. Is expansion perceived more as a risk or as an instrument for risks diversification?
    d. How new markets are chosen?
3. Entry strategies:
    a. How are the entry strategies varied from one market to another? Which strategies are theoretically possible for e-commerce marketplaces?
    b. Have the entry strategies become more aggressive over the course of last five years?
    c. Does the network in the target market affect the entry strategy?
    d. Which tests are performed in the target market prior to expansion?
    e. How are the decisions made regarding the following actions in the host country after the expansion?
    f. Does the competitive landscape influence the choice of entry strategy?
4. Marketing:
    a. Which marketing activities are carried out during expansion?
    b. How are the marketing strategies chosen for new countries?
    c. After deciding the host country market is of a high priority, are there any country-specific marketing campaigns?
    d. Do the factors affecting user decisions for joining the platform and purchasing substantially vary in developed and emerging markets? If yes, how does that influence the entry strategy choice?
5. Logistics:
    a. How the infrastructure of the target market influences the decision for expansion?
    b. Does the user expectations from various markets (i.e., developed and emerging economies) regarding the logistics quality influence the entry strategies?

   c. How may the entry strategy vary depending on the investments into logistical channels?
   d. What are the key challenges from logistics perspective that are taken into consideration while assessing new markets?
6. New businesses:
   a. How are decisions made on diversifying into other businesses? How new industries are chosen?
   b. Why the fintech was chosen, even though the key specialization of the group is e-commerce?
   c. Do the new businesses have international ambitions from the start?
7. Industry questions:
   a. Overall factors of a successful international startup?
   b. E-commerce key trends?

Summary

Introduction

Over the last decade e-commerce has immensely grown from being a potentially disruptive technology into a separate major industry with a wide variety of subindustries. Moreover, most of the corporations, both B2C and B2B, have established presence in the worldwide web and provided their customers with electronic channels for performing the purchases. The growing trends of all key industry metrics clearly indicates the market interest and demand, while the forecasts are promising both on global and national level for the businesses to increase investments into the e-commerce. The online business models have gone through an intense stress-test due to the Covid-19 pandemic, forcing consumers to turn to e-commerce as the offline channels were unavailable to a great extent. Relatively new subindustries like e-groceries became from an unusual purchase pattern into a standard practice over the course of just a couple of months. Still, even after lockdowns were removed, customers remained loyal to e-commerce channels, wherever local companies were able to provide high-quality services.

The business literature on internationalization is fairly rich, as many scholars have studied various entry strategies and the managerial reasoning while internationalizing. Those theories have shed light on the ways corporations have expanded over the course of international business research development. Nevertheless, the e-commerce industry, being a relatively new model of business operations, was studied substantially less. In particular, international new ventures in this industry, operating partially different from the way conventional theories perceived, nowadays have large influence on the global economy. At the same time, the internet business models have a tendency to modify and adapt to new external factors in a pace so rapid that following them from theoretical perspective became quite a challenge. The goal of this study is to identify the level of applicability of the key factors influencing the managerial decisions on entry strategies and further expansions in the previously performed international studies and the conclusions of practical research.

In order to do so, qualitative research of the internationalization strategies was performed through interviews with the top management in e-commerce corporations with the focus on cross-border B2C marketplaces. The respondents were chosen in accordance with their influence on the entry strategies from various angels — CEO for high-level strategy, CMO for the marketing perspective, CPO due to the adaptation of the product to different markets, and the head of logistics department, as building a robust delivery channels is crucial for expansions within the subindustry in discussion.

Finally, the business expansion activities differ depending on the target market, and those peculiarities present interest especially for potential generalizations, such as the attribution of key factors to developed and emerging markets. Thus, this study also aims at identifying the dissimilarities of the decision-making process

Theoretical review

The assessment performed by the businessmen or consultants helps not only to decide whether the firm should go international, but also on the strategy of entering new markets. Those strategies may differ significantly: some decide to sell products manufactured in the home country through neighbor host country distributors, while others decide to heavily invest and establish a manufacturing facility overseas on another continent. In order to go international, business should assess the perspectives through five dimensions: What, When, Where, Why and How.

Therefore, the key questions that top management should be asking prior to internationalization are the following:

1. What are the products or services that should be provided on the international markets?
2. When should the expansion take place and what affect the timing?
3. Where should the company expand to?
4. Why the business should be internationalized?
5. How the expansion activities should be designed and carried out?

During the review of the internationalization process from five various angels, a few key theories were picked as the most applicable. Moreover, due to the nature of e-commerce companies, additional attention was paid to "Born Globals", or International New Ventures — companies adopting global vision from the inception. As a result, the following concepts and theories were reviewed:

Ethnocentric & Polycentric strategies	Home and host country orientation of the products and services provided in the target market.
Uncontrollable external forces	Host-country economic situation, political, legal, etc.
First-mover advantages	Key risks and competitive advantages of first company of the specific industry to internationalize into the target market.
Follow-the-leader	Conventional choice for more risk-averse companies who expand to certain market after other corporation has proven the value and growth hypothesizes.
Psychic and physical closeness to the target market	Cultural similarity of home and host markets, presented by Johanson and Valhne (1977) — concept stating that experience gained in close regions increase the market commitment and investments into the internationalization.
Network theory	Established network (both formal and informal) influence on the readiness for expansion. Network as a premise for entering the market in pursue.
Uppsala Model revisited	Updated internationalization theory to reflect the role of networks in the target region: key entering activities as a pursue of improving the network position.

Market, resources and efficiency goals	Classification of internationalization motivation: applying to new customer base, seeking better resources availability price or volume-wise, and increase of efficiency due to the production increase or relocation.
Product Life Cycle theory (Vernon, 1966)	Key points: 1) the possible motivation for international expansion due to the natural decrease in the customer demand in home country; 2) relocation of production facilities via FDI to developing economies to decrease and optimize the production costs.
Economies of Scale	- External economies of scale: optimization of operational costs via investments by governments on the federal or regional level due to the importance increase of the industry overall - Internal economies of scale: decrease of marginal costs as a result of spreading the fixed costs among higher number of units produced and sold.
Reactive & proactive approaches	Classification of motivations for internationalization — expansion as a result of either unpleasant conditions and risks increase due to activities of other market actors, or as a proactive action to exploit the competitive advantages on an international level.
Uppsala international model (Johanson, Vahlne, 1977, 2009)	Incremental increase of investments into the target market via step-by-step expansion (1977): moving from primitive export / import activities to strategic partnerships, joint ventures, FDI, etc. through market knowledge gains and better network ties (2009).
Imperfect market conditions	Foreign direct investments as a result of certain advantages of market leaders in imperfect industries (e.g., oligopolies).
Internalization theory (Buckley, Casson, 1976, 1998)	Risks of partnering up with local firms that lead certain firms to invest directly into production overseas in order to keep the production and operational know-hows internally in the corporation.
Eclectic theory (Dunning, 1980)	Combination of prerequisite advantages owned by a firm in order to directly invest into foreign subsidiaries: internalization, ownership- and location-specific motivations.
Born Globals	International New Ventures that expand internationally in a much more rapid pace due to the global strategy from inception, to whom the previous theories do not apply to the same extent.

However, the nature of e-commerce industry led to some factors being not applicable, while other play crucial role exclusively or largely in the electronic commercial overseas activities. In order to correctly assess the internationalization for e-com companies and choose the entry strategy the following factors should be taken into consideration from theoretical perspective (later the list of factors will be validated and modified through research performed).

Internal factors:

1. Market knowledge — level of the understanding of the overall market. E-commerce markets can be quite different, thus having deep knowledge on how to deliver the value to the consumers at specific market conditions is crucial for understanding the key activities during expansion.
2. Psychic closeness to the target market (understanding the consumers) — the geographical closeness for e-commerce companies is not as applicable as for many other industries, however the psychic closeness may influence dramatically. The comprehension of the clients' choices on doing online purchases, the factors affecting their choices, promising market strategies and instruments — all increases with the gain of experience in similar markets to the target one.
3. Network positions — nearly all companies have to operate in a certain network and partner up with other businesses. The e-commerce companies heavily rely on third parties, for instance, payment services providers, logistical partners, local suppliers, etc. With the right network, the company might gain potential clients via lids from partnership programs. Moreover, other businesses mostly provide services that result in the increase of perceived and real value for the final consumers in the host market.
4. Firm's ambitions and risk-aversion — the decisions on entry strategies are influenced by the company's overall approach regarding risks and their global strategy. E-commerce born global start-ups tend to aim for significant market share, thus top management can set goals to be among the first movers in order to enjoy the competitive landscape, even though the risks are much higher. At the same time, other companies decide to follow other firms in their expansion to minimize the risks disregarding the established competition.
5. Stage of product's life cycle — the current structure of product demand in the home market might be a trigger for making the choice on international expansion. Their decision might be proactive and reactive: the former one implicates the ambitious expansion along with increasing demand in the home market during the growth or maturity stages, while the latter comes as a reaction to demand decrease in the declining stage and the urge to attract more consumers abroad in order to stay relevant and profitable.
6. International experience of the firm — businesses with previously gained international experience are more likely to succeed and take bigger challenges as their internal knowledge of best practices allows to operate efficiently in the uncertainty attached to entering new markets.

7. International experience of the top-management — the expertise in the area of internationalization processes facilitates the expansions. Moreover, their understanding of the target market and the audience shifts the focus to achieving the set goals in a more rapid pace, avoiding certain mistakes. The international experience of the top managers may be gained while working for other companies, still being relevant for the current activities. Thus, businesses seek to hire specialists with carried out expansion cases.

External forces:

1. Economic situation — depending on the e-commerce firm's assortment of goods, their product-market fit can be either relevant for the local audience or too expensive or cheap. The welfare of population correlates with the needs and willingness to implement new buying patterns in order to save money or improve the overall purchasing experience. For instance, cross-border marketplace of Chinese cheap goods may be a great asset for countries with low average income per capita and household, and the potential customers tend to tolerate certain inconveniences such as long delivery time to save money.
2. Legislation — the electronic commerce business model may be heavily influenced by the local governmental legislative decisions. The trade barriers such as import duties may affect and devaluate the unit economics, making the purchases rather pointless from economic perspective. Moreover, certain government regulations may require expensive certifications in order to sell the goods to the local consumers.
3. Technological development — the level of technology adoption is crucial for the e-commerce, as the key selling channel is digital. Some companies have mobile-first or mobile-only products, requiring the customers to download e-shopping applications for such platforms as iOS or Android. The general level of smartphones penetration is currently relatively high even in countries with emerging economies, but this growth at rapid paces has taken place relatively recently. Thus, e-com firms are currently shifting their focus to these regions, while others fight in "red oceans" with competitors for market share in the developed countries.
4. Logistical infrastructure — some companies within the e-commerce industry not only sell their goods via digital channels but provide their goods or services online as well. However, most of the e-shopping firms after closing the sale with the consumer on the internet, face the challenge of physical delivery. In order to do so the firm has to partner up with either international logistics providers or local players. In regions with poor logistical infrastructure the challenge is much higher as the company may end up with substantial percentage of refunds due to failed delivery, along with much longer waiting time, worsening the customer experience.
5. Structure of customer demand — the preferences of the consumers vary in regions, shifting the value proposition relevancy for the audience. The structure may correlate with the economic

situation in the country, but may be influenced by other factors as well, such as the customers previous experience.

6. Current competition — the competitive landscape of the target market is a crucial factor to take into consideration, along with the firm's general entry strategies approach and preferences: either being the first-mover with the potential advantages and risks in order to establish their presence or following other companies to their international markets.

Chapter 2. Practical research

1. E-commerce industry overview

Even though the e-commerce has evolved into a full new industry and it has been intensively penetrating into the modern life and our purchase patterns, from historic perspective it is a relatively new mean of sales. Nevertheless, within the industry there is a vibrant variety of multiple business models. Some of them in general can be referred to as marketplaces, whose key premises are numerous suppliers and buyers matching on the platform, and the ability of the client to undertake the purchase without leaving the user interface: website or mobile application. The interest of consumers in the marketplaces is hard to overvalue, for example, Amazon had over 2.5 billion visits from desktop and mobile interfaces in a single month of December 2019 (Statista). The cross-border marketplaces, alongside with the managerial decisions on internationalization and further expansion, were studied in depth in the research.

In order to sell via electronic channels, a wide variety of technologies are implemented to sustain the complex business processes: from basic ones crucial for the Minimum Viable Product (MVP), such as web servers, databases, frontend web tools, browsers and ERP integrations, to more sophisticated ones for the further development, enriching the user experience, increasing the profit margins and optimizing the efficiency and effectiveness of the workflow, including analytical tools, digital marketing (SEO, online ads, SMM, etc.), machine learning for big data analysis and the provisions of personal recommendations, dynamic pricing, advertisements automatization and other potential optimizations of the operational processes.

As the number of people having access to internet increases, the digital channels gain popularity as well. The importance of electronic commerce industry is reflected in the key metrics — GMV, traffic, revenue, growth rates and others. The e-retail industry has yielded 4.28 trillion U.S. dollars in 2020, growing by more than 27% year-to-year, and projected to continue the increasing trend with forecasted 6.4 trillion $ by the year 2024 (Statista). The capitalization of internet commerce companies also proves the importance of the industry: two leading ecosystems —Amazon and Alibaba — are valued at 1.63 trillion and 600 billion U.S. dollars accordingly. Both corporations have went far beyond electronic trade, investing into fintech, cloud technologies, video streams and many others, however the core business is still within the e-commerce industry, providing their services both to retail and corporate customers.

Many regions have a developed e-commerce infrastructure. For instance, in 2019 Chinese electronic retail industry accounted for 25% of the overall retail value with 1.5 trillion $ sales volume (McKinsey, 2019). In comparison, the United States e-tailors sold goods for 600 billion dollars reaching only 11% share of the retail industry. Electronic companies owe their favorable position in the Chinese market to a huge market of consumers willing to perform their purchases via digital channels — 855 million buyers per year.

In Europe the overall amount of people buying digitally has grew from 286 to 293 million in 2020, yielding 269 billion euro of online expenses, an increase of 12% over a single year (Postnord). The international electronic trade also gained popularity with 220 million users purchasing goods from abroad due to the consistent improvements in logistics and the legislation with European Digital Single Market initiative (European commission). The strategy presented to the public in 2015 aims at abolishing the barriers for online cross-border trading among the 28 countries participants. In order to do so, the legislators focus on cybersecurity, trade tariffs, stable access to key technologies, protection of private data and consumer rights and many more.

The electronic sales have been growing in countries with developing economies quite rapidly as well. In the Russian Federation, for instance, the penetration rate has already hit the 50% milestone (Statista). As of 2020, the annual e-commerce turnover has come close to 3 trillion Russian rubles with 11% share of the overall retail. The forecasts for the Russian e-commerce market are quite optimistic. The turnover it is forecasted to grow four times to 10.9 trillion by 2025 with an average growth rate of 32%. Furthermore, the number of orders should exceed 1 billion already in 2021.

2. Research design and results

As the key topic of the thesis is the factors affecting entry strategies to international markets, being a part of the managerial decision-making process, the most suitable instrument to derive conclusions is from qualitative study via interviews with the top managers, along with case studies of e-commerce companies' expansions. Moreover, this study is mainly deductive, as various internationalization theories were reviewed and later tested to verify or reject their applicability.

In order to explore the internationalization and entry strategies in the e-commerce industry from practical perspective the companies Alibaba and Joom were chosen.

Alibaba Group is one of the largest internet companies worldwide with a valuation of 600 billion U.S. dollars, and its sphere of interests prospers far beyond e-commerce. Still, platforms for digital sales remain the core business and key value generator. The e-com ecosystem includes B2B marketplaces, such as Alibaba for connecting businesses globally and 1688 for domestic wholesales, B2C platforms, like AliExpress and Tmall Global, selling Chinese goods to customers in more than 200 countries, and Tmall for the local population, and a C2C marketplace — Taobao. Alibaba was founded in 1999 by Jack Ma in Hangzhou with the goal of connecting SME's (small and medium enterprises) to improve trades. From the beginning they had a global strategy, which only strengthened over the course of following decades. Company has consistently worked towards creating safer solutions for conducting deals in the atmosphere of mutual distrust. In 2005 American internet corporation Yahoo has invested 1 billion dollars for a 40% stake in Alibaba. Later on the company has divested, allocating funds into other industries, providing financial services, cloud computing resources, building entertainment services, news and communication channels. All of their business units naturally generate an excessive amount of data to be analyzed by the corporation for providing even more personalized experience and become more independent from the e-commerce.

Joom is a European internet company with Russian roots. After its emergence in 2016, it became one of the most rapidly growing e-commerce platforms worldwide. By 2018 Joom reached a milestone of 100 million users on web platform and mobile applications. As of 2021 the user base has grown to over 370 million. Joom is fully localized to 21 languages, including Asian and Middle Eastern, and delivers goods to more than 150 countries. In addition to B2C cross-border marketplace, Joom Group has other companies in the digital ecosystem: Joom Logistics, Joom Support, JoomPay (fintech), JoomPro (B2B marketplace), JPharm (e-pharmacy).

Joom present interest for the research as it has exhaustive international e-commerce experience, tested various entry strategies, competing on a global level with well-known marketplaces as Amazon and Alibaba. Moreover, it was originated as a born-global startup, having a global international vision from the start.

For deeper understanding of the company's motives for internationalization and the managerial reasoning for choosing among various entry strategies, several semi-structured interviews were performed with key decision makers: Ilya Shirokov, Joom's founder and CEO, who agreed to share invaluable insights on the high-level strategy; Yuri Ivanov, co-founder and CMO, about the marketing strategies while expanding; Elizaveta Goncharova, CPO, responsible for the product strategy and localization; and Dmitriy Chernyshev, head of Joom Logistics, about the company's strategy from logistical perspective and the difficulties faced while establishing new channels.

Throughout the interviews and the case study, many insights and conclusions on the managerial reasoning in Joom and the international e-commerce industry were drawn from the discussions.

Chapter 3. Analysis

From the key theoretical concepts, stated in the table above, some were proven to correlate with the managerial reasoning while entering overseas markets, along with the actual cases of expansions: the uncontrollable external forces were thoroughly studied prior to internationalization, first-mover advantages served as a goal for expansion, cultural similarity of home and host markets simplified the expansions due to the experience gained in close regions, the expansions motivation can be largely attributed to the attraction of new customer base, the established network appeared to be a crucial factor for the choice of entry strategy, while the following steps to improve market positions were commonly carried out via upgrading the network by establishing new partnerships as stated in the Uppsala model revisited. Furthermore, both external and internal economies of scale are crucial for e-commerce international operations: the former provides companies with easier expansion, for instance, in Europe due to the legislation and or in China thanks to technological development and governmental subsidies, while the latter is crucial for the operational efficiency — the margins increase due to the consolidation of shipments, better data for improving the ML models, etc. Both reactive and proactive entry models were discussed in the qualitative study. Finally, international e-commerce companies can be perceived as International New Ventures, which expand internationally in a much more rapid pace having a global strategy from the inception.

Part of the factors, derived from the theoretical review for the e-commerce industry, are proven to be highly applicable for managerial decisions on internationalization and entry strategies, both internal and external ones, while others seem to not be as influential on the reasoning for expanding for companies.

Internal factors:

1. Market knowledge — level of the understanding of the target market and its customers influences the choice of the market and the number of initial tests that are performed prior to further investments.
2. Psychic closeness to the target market — the psychic closeness for e-commerce companies is important due to the natural understanding of market behavior, along with better exploitation of ML algorithms. The geographical closeness turned out to be important also in the sense of cultural similarity, as most population in neighboring nations share quite a lot of cultural similarities. Moreover, the expansions to other countries in a region is often easier due to the regional presence of partners.
3. Network positions — the e-commerce companies in this study heavily rely on third parties: payment services providers and logistical partners. With the right network, the company operates more efficiently. Moreover, with the increase of market commitment and the improving of network's position local partners are getting involved, resulting in the increase of perceived and real value for the final consumers in the host market.
4. Firm's ambitions and risk-aversion — international expansion strategies of e-commerce firms, mostly being born global start-ups, are more likely to be aggressive and risk-accepting by definition. However, the peculiarities of digital expansions allow the firms to perform sufficient tests in new countries to determine the potential market share. Still, the aggressiveness may be influential in the decisions on expansions to risky markets and investments for conquering market shares even with unsatisfactory initial results.
5. Stage of product's life cycle — as mentioned in the theoretical applicability table, the product's life cycle stage did not prove to be a key factor influencing the internationalization and entry strategies.
6. International experience of the firm — previously gained internationalizing experience influences the entry strategies, as firms have better understanding on how to run operations in the uncertain conditions of newly entered markets more efficiently and less risky. Due to higher uncertainty in developing countries, this factor is proven to be more influential while expanding there.
7. International experience of the top-management — the expansion expertise and the key personnel experience of running business operations abroad in certain host countries, while working for other

businesses as well, influences not only the entry strategies due to previously learnt best practices, but also heavily impact the market choices.

External forces:

1. Economic situation — the cross-border electronic commerce firm's specialization and value proposition proved to be relevant differently for countries with developed and emerging economies. Thus, companies have to adapt their product-market fit in order to achieve better results and appeal to higher share of the local population. For Joom's services provided, for instance, in Western European countries the variety of unusual goods and logistical robustness were more important, then the possibility of purchasing goods at cheap prices, which is one of the key factors for CIS countries. Additionally, countries with emerging economies prove to commonly have higher fraud rate.
2. Legislation — selling goods and shipping parcels internationally nowadays is a well-regulated subindustry. Thus, various legal obstacles, such as trade barriers, acquiring rules or import tariffs influences both the global companies and the local customers. Thus, the external factor of host country's laws has to be taken into consideration by managers while deciding on further expansions. The local legislation is a crucial factor for all target markets.
3. Technological development — digital means of channels are by definition available only for the customers who adopted technologies and have either web interfaces or smartphones with internet access and application stores (e.g., Google Play or AppStore). Therefore, this data is studied while prioritizing potential markets for expansion. The understanding of the level of technological penetration is invaluable specifically for developing countries.
4. Logistical infrastructure — the refund rate in countries with less developed logistics channels can be substantially higher due to non-deliveries. Establishing certain robustness to keep the operational profitability is a challenging task. Moreover, the global network of various logistics services providers is less likely to cover such regions, making the company look for new potential partners. Thus, the expansion is more demanding and less likely to happen rapidly. Due to the correlation of the infrastructure to the economic development, the initial tests on logistics channels' reliability are more thoroughly performed in emerging markets.
5. Structure of customer demand — the preferences of the consumers vary in regions, shifting the value proposition relevancy for the audience. The structure often correlates with the economic situation in the country, but may be influenced by other factors as well, such as the customers previous experience with e-commerce services, setting various levels of standards and expectations.
6. Current competition — the competitive landscape of the target market is a crucial factor to take into consideration, along with the firm's general entry strategies approach and preferences: either being the first-mover with the potential advantages and risks in order to establish their presence or

following other companies to their international markets. The business activity commonly correlates with the national economic, therefore, the competition is more relevant in developed countries.

During the study, a few other factors were mentioned by the top management as influential on the decision making:

1. Population size — small countries, such as Malta, may not only be missed by international e-com giants, but also lack domestic online competition. In such nations it is cheaper to utilize other forms of marketing, especially offline channels such as paid sponsorships or TV-advertisements, in order to achieve high level of product awareness among most of the population. Consequentially, utilizing the product can become trendy.
2. Purchase patterns — customers in various regions have different patterns for purchases: while in some countries people are more likely to buy pragmatically, in other the product is used more spontaneously, and the purchases are impulsive. Based on this understanding the marketing campaigns can be modified.
3. Technological development of the company — the adoption of innovative technologies, such as machine learning for big data analysis plays crucial role, as it allows the company to scale up quicker and adopt more aggressive entry strategies.

Conclusion

In the thesis the processes of internationalization were reviewed from various angels: the theoretical studies were presented to assess the factors forming the managerial decisions, along with the concept of born global companies, from which certain factors were picked as largely applicable for e-commerce industry from theoretical perspective. The literature review allowed to form a substantial foundation for further practical research by distinguishing various factors and internationalization theories, that later can be compared to the practical findings in order to find correlations and pattern matchings. The statistics of the industry helped to form an overview of the potential for digital sales overall and international e-commerce in particular. The key metrics proved the importance of the industry, as well as validated the scientific interest for the international business studies due to the constant emergence of new business models and rapid digitalization of corporations. The Covid-19 pandemic has served as an additional proof of demand for e-commerce channels with staggering year-to-year growth rates like 58% in the Russian Federation.

Overall, the entry strategies for international e-commerce corporations can be structured to the following sequence of actions: initial tests on non-working product for understanding the conversion, first trial shipments with existing network, if possible, to identify the logistics robustness and fraud rates, identification of the potential for growth and the bottlenecks like lack of local network, followed by the localization of the product and new partnerships with payment or logistics providers and further investments into the marketing for countries proven to have potential.

During the practical research in the form of a case study and qualitative interviews many factors influencing the managerial decision-making process while deciding on entry strategies were stated and later compared with previously reviewed theory. Each factor potentially influences every step of the internationalization process described above. Among others, the key factors affecting the managerial reasoning on entry strategy — network, market size, competitive landscape, technological development, economic situation, cultural closeness to the host country and local legislation. For countries with emerging economies, it was crucial to identify the fraud rate, robustness of logistic channels and penetration of internet devices, while for developed nations the domestic competition (along with the presence of international companies), legislation and clients' expectations turned out to be the most influential factors for the management. Moreover, the priorities of the local audience were taken into consideration while deciding on the entry strategies and further continuous activities for strengthening the market position: for developed countries, for instance, the establishment of local customer support was crucial, while for developing ones the main work was performed for decreasing the prices by network improve and discounts.