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Laura Tamminen

**INTERNATIONALIZATION OF DIGITAL PLATFORM SMES: THE NETWORK
PERSPECTIVE**

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Author:	Laura Tamminen
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Supervisor:	Tamara Galkina
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ABSTRACT:

Previous research on internationalization has applied the business network approach to a large extent; also, studies on internationalizing digital platform firms discuss how these companies establish their user network. However, little is known about how these two types of networks (a business network and a user network) are combined and influence the international expansion of a digital platform SME.

Therefore, the objective of this research is to study the relationship between these two types of networks in the internationalization of a digital platform SME, specifically focusing on the one-way relation from business to user networks, and answer the research question “*how do business networks enable digital platform SMEs to internationalize their business and create a user network when internationalizing?*”. The theoretical framework for this study covers relevant literature concerning internationalization, business networks, platform businesses and their user networks. This thesis is based on the multiple-case study of international digital platform firms from Finland. The data include semi-structured interviews conducted with founders and managers of three firms.

The results of this thesis highlight the connection between these two networks in the internationalization of digital platform SMEs; it shows how the business networks aid in the formation of the user network. This study was able to bring a new perspective of how business networks, which occur in the *physical space*, aid in building user networks, which occur in the *digital space*. The study shows that building long-lasting business networks is time-consuming; however, relationships formed in person are highly important even for a business which operates fully digitally. Furthermore, this study underlines the importance of business networks for an emerging business, since a business may otherwise not gain access to all needed resources when expanding internationally.

KEYWORDS: internationalization, digital platform, platform business, small and medium-sized enter-prise, business networks, user networks

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1 INTRODUCTION

This section will provide the rationale for this thesis. First, background information on the subject is given and the research problem is presented. Then, the objectives and the research question are introduced. Finally, the intended contributions, key concepts and structure of the thesis are presented.

Background and Problem Area. Internationalization has been studied by various authors throughout the years and can be thought of as a large-scale strategic dimension for most business firms (Melin, 1992). The most applied definitions on internationalization have been presented by Welch and Luostarinen (1988, p.36) who describe internationalization as *“the process of increasing involvement in international operations”*. Additionally, Beamish (1990, p.77) has stated that internationalization is *“the process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future and establish and conduct transactions with other countries”*. Supporting this, Cavusgil, Knight and Riesenberger (2013, p.3) have presented internationalization of a business to be the shift to *“systematically increase the international dimension of their business”*. The reasons why firms internationalize are usually similar for most businesses; they often seek for growth and risk reduction with the international market expansion (Andersson, Gabrielsson & Wictor, 2004). Additionally, according to Roque, Alves and Raposo (2019), the trend of globalization of markets is shifting firms to develop their strategies towards a more global approach.

There are various approaches explaining the internationalization of a business; however, the network approach initially presented by Johanson and Mattsson (1988) is one of the most established to explain the internationalization of a business. The network approach's strong influence and relevance has subsequently affected the most prominent internationalization process model, the Uppsala Model by Johanson and Vahlne (1977), which has been revisited in accordance with the growing importance of the network approach (Johanson & Vahlne, 2009). Traditional internationalization models, such as the Uppsala Model, were not originally focusing deeply at the context of the firm, and

therefore were not particularly applicable in case of SMEs (Coviello & Munro, 1995; Elo, 2005). However, as presented, the Uppsala Model has been revisited later which made the model more suitable for companies of all sizes and ages (Johanson & Vahlne, 2009).

The Uppsala Model has been revised in 2009 and 2017 since it has been acknowledged that environments constantly change and thus, revision for traditional models is additionally needed. In 2009, Johanson and Vahlne recognized the need to incorporate the shift from the physical distance and liabilities of foreignness to liabilities of outsidership into the original model. Johanson and Vahlne (2009) show that the environment businesses operate in is *“a web of relationships, a network, rather than as a neoclassical market with many independent suppliers and customers”* (Johanson & Vahlne, 2009, p.1411). Thus, in this revised model from, the lack of knowledge of a foreign market (liabilities of foreignness) was switched to not possessing a relevant position in a foreign network (liability of outsidership) (ibid.). Additionally, in 2017, the impact of the digitalized world was added to the model and the importance of networks in the internationalization of a firm was further recognized (Vahlne & Johanson, 2017).

Concurrently, the rise of technology and digitalization have pushed companies of all sizes and age to develop new business models. These phenomena have led companies to create *“new forms of cooperation”*, and present *“new product and service offerings as well as new forms of company relationships with customers and employees”*. (Rachinger, Rauter, Müller, Vorraber & Schirgi, 2018, p. 1143). Due to the growing importance of digitalization and new-technologies, it is essential to understand new digital business models and their internationalization to ensure the growth of this sector. Coviello, Kano and Liesch (2017) have further highlighted how technology has changed the landscape in which international businesses operate regardless of their size, age or industry and therefore underlined the importance to understand the new setting.

These conditions have enabled the rise of firms operating as digital platforms. A platform business model offers a digital platform for a network of users to interact with each other and develop value through interactions (Brouthers, Geisser & Rothlauf, 2016). Digital

platform businesses started to emerge approximately two decades ago as a result of the increased digitalization; for now, these businesses are present in almost every industry including traditional and most disruptive ones. (Alcácer, Cantwell & Piscitello, 2016). Today, the most popular platform businesses are businesses such as eBay, Amazon, LinkedIn, Alibaba, Uber and Airbnb. The revenue model these businesses adhere to is based on charging the users for the right to utilize the offered platform to conduct business on it (Stallkamp & Schotter, 2018).

The value for a platform business is generated through the interactions of the network of users; therefore, the challenges platform businesses usually face are connected to the formation of the network of users (Hänninen, Smedlund & Mitronen, 2018). Since a platform business needs at least two groups of unattached users the business often comes across with the problem of how to attract for example sellers to the platform if there are no buyers along and vice versa (Caillaud & Jullien, 2003).

In the internationalization phase, platform businesses face similar challenges with the user network and value creation as they face in the home country. According to Brouthers et al. (2016), when internationalizing a platform based business needs to create a *“large enough network of users to generate value on its platform”* and thus, may experience liabilities of outsidership since it does not have all the needed resources to start to form the network. Therefore, it is crucial for a platform SME to build business networks in the internationalization phase to overcome these obstacles.

Stallkamp & Schotter (2018) argue that the international business literature has not addressed the *“platform phenomena”* broadly and therefore, the authors see it relevant to study this area more in depth in the international context. Since a platform business needs to create a network of users to create value for the business, and often in the internationalization phase lack the resources to accomplish this, they need to create meaningful business networks to overtake the obstacles. Thus, it is important to further study the relationship between the digital platform SMEs business and user networks,

and how the business networks aid in the formation of their user networks in the internationalization.

Although previous research has addressed the network theory and business networks to a large extent, and studies about internationalizing platforms and user network creation have been formed to some extent, there is a gap in the research of how these two networks (business and user) are combined and how they interact. Importantly, these two different network relations occur in different but interconnected locations. Thus, business network relations occur in the physical space since they imply some extent of human interaction, whereas user network relations develop in the digital space since they are formed purely in digital dimension (Monaghan, Tippman & Coviello, 2020). There is a gap in the research to understand how these networks in two different locations, namely physical place and digital space, are combined and how they correlate with each other along the internationalization of a digital platform SME (see Figure 1). Moreover, this study focuses on the one-way relation from business to user networks as the supposition is that business networks aid in the creation of user networks.

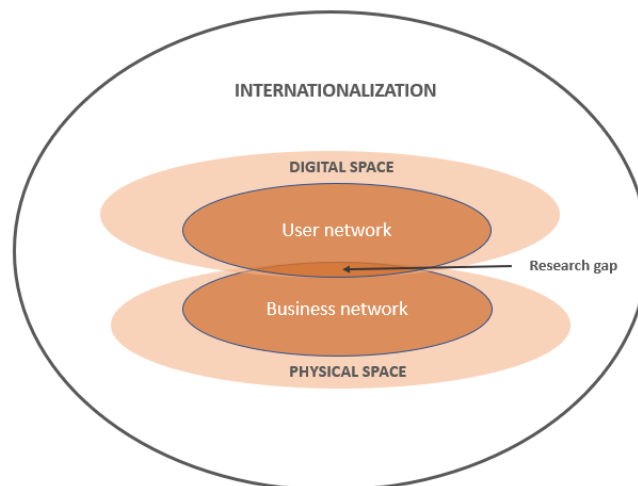


Figure 1. Positioning of the thesis

Research Question. Given the aim of this thesis, the research question this study seeks to answer is:

- 1) How do business networks enable digital platform SMEs to internationalize their businesses and create a user network when internationalizing?

Intended Contributions. This study aims to contribute in two dimensions which are next presented. First, this study aims to present implications for understanding the internationalization of digital platform SMEs, which is only an emerging research area in international business. Although previous research has addressed that for an SME business networks are important to successfully internationalize, the focus in the previous studies have usually been in businesses which operate with more traditional business models. The digital platform business model is a rather new model and thus, it is important to research the phenomena in more detail. Secondly, this study aims to provide implications for the network approach to internationalization by examining the interaction between two types of networks, which emerge and develop on very distinctive dimensions – physical place and digital place. In case of digital platforms, internationalization is not possible only with the means of one type of network.

Moreover, according to Constantinides, Henfridsson and Parker (2018), the amount of new platform businesses is steadily increasing and businesses which have not previously operated as platforms are starting to shape their business towards so-called *platformization*. Therefore, the author sees that with the help of this research the author may contribute new knowledge also for companies which are not originally operating as a platform business, but aim to platformize their business in an international context in the future

Key definitions. The key concepts in this thesis are internationalization, digital platform, platform business, small and medium sized enterprise, business networks, and a user network. Therefore, the author will next present the definitions of these key concepts.

- **Internationalization** is defined as *“the process of increasing involvement in international operations”* (Welsch & Luostarinen, 1988, p.36). Supporting this, Roque, Alves and Raposo (2019) have stated that internationalization refers to the phenomena when a company extends its activities to markets outside the home country.
- **Digital platforms** are defined as *“software-based external platforms consisting of the extensible codebase of a software-based system that provides core functionality shared by the modules that interoperate with it and the interfaces through which they interoperate”* (Tiwana, Konsynski, & Bush, 2010, p.675). A digital platform thus refers to a purely online occurring ecosystem which is contributed by third-party members. (de Reuver, Sørensen & Basole, 2018).
- **Platform business** refers to a business model which provides a technological platform and aims to connect various users through the platform (Täuscher & Laudien, 2017). This business model offers the users the possibility to interact with each other across national borders and to gain value through the interactions (Brouthers, Geisser & Rothlauf, 2016).
- **Small and medium-sized enterprise (SME)** refers to a firm which employs fewer than 250 employees. A small firm is categorized to have 1 to 49 employees and a medium sized firm 50 to 250 employees. Additionally, an SMEs turnover should not exceed 40MEU or the annual balance sheet should not exceed 27MEU. Moreover, an SME is an independent enterprise and 25% or more of the capital cannot be owned by a larger enterprise. (Hillary, 2017).
- **A business network** is a cluster of connected business relationships (Johanson & Vahlne, 2011). With the help of these relationships the company gains direct and indirect access to resources they need and thus, the business network enables

the company to reach better outcomes (Gebert-Persson, Mattsson & Öberg, 2014).

- **A user network** is the group of users on the platform which may consist of e.g. private consumers, brands, companies or organizations. In a user network there are minimum of two separate counterparts involved who trade services, information or products on the provided platform. The user network is thought of as the most valuable asset for a platform business (Brouthers, Geisser & Rothlauf, 2016).

Structure of the Thesis. The remainder of the thesis is organized as follows. The next section covers the theoretical background which presents relevant existing theories and literature concerning platform businesses, their internationalization and the effect of networks in internationalization. The third section is about the methodology of the thesis. The author will present the research method chosen for the thesis and the nature of the research. In addition, the author will underline the reliability and validity of the thesis. The fourth section will cover the findings of the three case studies made. The findings of the companies are introduced in four parts: (1) background, (2) creating a network of users, (3) internationalization of a platform business, and (4) networks in the internationalization. In the last section, the findings from the case studies are discussed and concluded. In addition, the findings are contrasted with the theoretical framework. The discussion of the topics is presented in three parts, comparatively in the similar way as the theoretical background is presented.

2 THEORETICAL BACKGROUND

In this section, the relevant literature and studies conducted on platform businesses, internationalization theories and networks are presented.

2.1 The Network Approach to Internationalization

The topic of internationalization has been studied by many authors throughout the years and can be seen as a major strategic dimension for most business firms (Melin, 1992). According to Cavusgil, Knight and Riesenberger (2013, p.3) "*internationalization of the firm refers to the tendency of companies to systematically increase the international dimension of their business activities*". The reasons why firms develop their international dimension have commonly been associated with the assumption that firms internationalize to reduce risks by expanding the business to new markets (Andersson, Gabrielsson & Wictor, 2004). In addition, due to the reason that domestic markets have become increasingly similar to international markets the threshold to internationalize has become lower especially for SMEs. This phenomenon has been recently present especially in Europe "*where deregulations have made it easier for small firms to deliver products beyond the region where the firm is located*". (Andersson et al., 2004, p.24).

International market selection is a key aspect when discussing the subject of internationalization of a firm as the firm must initially make the decision on which foreign countries or regions will be their target market (Brewer, 2001). Addition to this, the choice of entry mode must be selected (Andersen, 1997). The international market selection and the choice of market entry mode represent the key aspects of the internationalization process of a firm (ibid.) Based on Johanson and Vahlne (1977), the process of internationalization of a firm is not simple, as it requires rigorous planning and research. Usually, the lack of knowledge of the foreign market is a key obstacle and challenge to the international expansion of a firm (ibid).

There are multiple approaches explaining the internationalization of a business, however, this research focuses on the network approach, since it aims to explain the internationalization of an SME and further examines the context of the business of the firm. Next, the author will present the network approach in more detail by first outlining what business networks are, then focusing on how business networks are created and what challenges rise when building these networks.

According to Johanson and Vahlne (2011, p. 484) business networks are considered to be "*sets of connected business relationships*". Furthermore, Håkansson and Ford (2002) have explained business networks as a form of organizational structure where suppliers and buyers are connected and exchange resources with each other. Organizations get involved in business networks, because of a benefit or an advantage, either economic or non-economic (Elo, 2005). Business networks are built around business opportunities of mutual benefit or are formed together with other businesses to overcome obstacles such as high costs or cultural differences (Håkansson & Snehota, 1995). A business network can be characterized by four different elements: (1) continuity, (2) complexity, (3) symmetry, and (4) informality. The need for a particular business network might not be relevant at the present moment and thus, in many cases networks can be established for the sake of future advantage. (ibid.).

Based on Johanson and Mattsson's (1988) network approach, internationalization is a continuous process where networks are established, maintained, developed and ended. The model is based on three "*propositions on markets as networks: (1) individual firms are dependent on exchange relationships with other firms, (2) exchange relationships are external assets (market assets) that require efforts and time to establish and develop investment processes and (3) exchange relationships are directly and indirectly connected, forming dynamic market networks*" (Gebert-Persson et al., 2014, p.14). In the network approach, internationalization is considered as an investment process in which market assets (networks and relationships) are developed and utilized (ibid.). According

to the approach the company's position in its network changes continuously and its current position always influences the internationalization of a company (Chetty & Holm, 2000).

The act of networking "*encompasses all of the interactions of a company or individual in the network*" (Ford, Gadde, Håkansson & Snehota, 2003, p.90). It has been difficult to create theories of SME networks, as individuals are in the key role, and these individuals have different personalities (Birley, Cromie & Myers, 1991). In this thesis, a company's business network consists of business relationships of the company and its individuals with various partners which are formed in a physical setting.

Previous research shows the importance of relationships for companies and the support these relationships provide in the internationalization phase. For instance, the distance between the home country and the host country makes the operation more difficult; hence, the networks in the host country play a more important role in the internationalization (Håkansson & Ford, 2002). In the host country, there must be connections that can be trusted to take care of issues in that region (ibid). Since platform SMEs need to create a user network to create value for the platform, the business may face liabilities of outsidership since the business does not possess relationships in the foreign market (Brouthers et al., 2016). Therefore, building business networks in the host country is crucial in the internationalization phase.

Studies about networking have extensively explained the fast development and internationalization of SMEs, as they can access valuable resources with fewer costs and on a shorter time-frame (Coviello & Munro, 1997). Traditional internationalization models, such as the Uppsala model by Johanson and Vahlne (1977), do not look deeply at the context of the firm, while the network theory focuses on this aspect and, therefore, is thought to be more applicable in the case of SMEs (Coviello & Munro, 1995; Elo, 2005). In other words, MNEs typically follow the traditional stages models when internationalizing, whereas the smaller companies are usually more dependent on their networks (ibid).

The Uppsala Model, which was developed based on the observations of Swedish manufacturing firms, in the international business department of the Uppsala University in Sweden, is the most common stages model (Johanson & Vahlne, 1977). The theory behind this model is that a company gradually increases its international commitments to gain market information and access, and to minimize its risks (ibid). Later on, the model has been applied to firms outside of Sweden and from different industries (Johanson & Vahlne, 1990). Despite this, the model and its generalization have also faced criticism, as the research area is considered as rather narrow, and it is seen as outdated.

According to the stages model, companies choose to internationalize to countries that are geographically, economically and culturally close to the home market, especially when they have low knowledge about the host market (Johanson & Vahlne, 1977). If knowledge of the host market is low, internationalization will be slow and only as knowledge of the new market increases, the speed of internationalization will also increase (Johanson & Wiedersheim-Paul, 1975). As stated previously, MNEs typically follow the traditional models when internationalizing and the model is not as acceptable for SMEs. Moreover, the traditional models have been formed based on observations of manufacturing firms and therefore, cannot be applied to internationalizing platform SMEs (Forsgren & Hagström, 2007).

2.1.1 Business Network Creation

Before researching business network creation in more detail, it is important to examine the elements of a business network and what the business network consists of. The International Marketing and Purchasing Group (IMP) has studied more specifically the dynamics of business network relations resulting in the actor-resource-activity (ARA) Model (Håkansson & Johanson, 1992; Håkansson & Snehota, 1995). The ARA model was created by the IMP group as it was unsatisfied with the way previous business-to-business (B2B) literature examined business relationships (Håkansson, 2009).

The ARA model aims to understand the relationships between the actors, resources and activity and to answer the core questions behind the model (who are the actors in the

network, which resources do they control, and which activities do they carry out) (Andersson, 1998; Håkansson & Johanson 1992; Wilson, Grant, & Shaw, 2010). Without these relationships, there are no business networks. It has been stated that the three concepts capture the key aspects of relationships, both between different firms, but also within one firm among its individuals (Lenney & Easton, 2009).

When internationalizing, SMEs do not possess all the resources needed and thus, it is crucial for them to build business networks (Håkansson & Ford, 2002). The required networks are usually from both, the home country, and the host country. According to Johansson et al. (1988), the formation of network relationships in the beginning starts in the home country by engaging in a primarily domestic network. The idea is that these domestic connections then can function as bridges to other, foreign networks.

Birkinshaw et al. (2007) state that the challenges companies face while networking are (1) finding fitting partners, (2) creating meaningful relationships with them, and (3) managing networks so that they perform successfully. In the case of finding suitable partners, these efforts are further hindered by a mix of geographical, technological and institutional barriers, and in the case of relationship building by ideological, demographic and ethnic barriers (ibid). Thus, since creating and managing networks requires a lot of time, and the partners need a lot of knowledge about each other, long-term relationships are often strived for (Hood & Vahlne, 1988). Much of this knowledge can only be gained by interaction and by doing business with the partner. Hood and Vahlne (1988, p.28) have stated that it is time-consuming “...to learn which persons in a company possess certain types of knowledge, and which have the potentiality to influence certain conditions”.

2.1.2 Challenges in Business Networks

Trying to control all the components of a business network brings pressure and challenges for the company. Business networks need their space to be able to develop as a result of the interaction between the actors (Håkansson & Ford, 2002). Managing networks requires the company to be able to adjust, as there is no certain way of how to

control them due to their ever-changing nature. Thus, there is no certain model for managing networks as the formation of networks and how they function is mostly a result of the context of a larger network and the history of the actors involved (Möller & Halinen, 1999). It must be remembered that when managing the networks a business must be active and ready to adjust if necessary.

Business networks can aid in the internationalization of the firm, however, *“business network relationships are a complex and delicate matter, which requires resources and time as well as responsiveness to the interests of the partners”* (Johanson & Vahlne, 2003, pp.98-99). The time and costs that are put into nurturing a relationship can be seen as investments (Ford, Gadde, Håkansson, & Snehota, 2003). Managing networks is essential for a business and requires taking the company’s goals and strategy into consideration. Businesses must maintain multiple networks at the same time and take into account the whole network in decision-making (Blackenburg & Johansson, 1992). This becomes increasingly complex as the network of partners grows.

Previous literature also emphasizes the significance of trust, commitment, and co-operation (Carson, Gilmore, & Rocks, 2004). The main barriers to successful collaboration include lack of trust, lack of compatibility between the partners and their abilities, and cultural conflicts (Panaihfar, Heavey & Byrne, 2015). The networks that companies are engaged in never stay the same in the long run, but evolve through time. According to Halinen and Törnroos (1998), the evolution of networks refers to the change and dynamics in the business networks, which are due to a process of events and activities that occur over time. A network relationship is a bilateral process, in which partners learn and make commitments to develop their relationship (Johansson & Vahlne, 1992). This process can be seen as a domino effect where one action in a network can cause another one to develop.

When building business networks, companies constantly face new situations and challenges. Additionally, as many companies operate with the same type of resources as

their competitors, companies should try to learn how they could utilize their resources more efficiently than the other companies (Håkansson, Havila & Pedersen, 1999). Thus, being able to internalize knowledge and build capabilities inside a firm requires learning on both the individual and organizational level (Ernst and Kim, 2002). According to Johanson and Vahlne (2003), companies learn important knowledge from the relationships they build, which then enables them to access resources and other foreign markets. In these new countries companies then develop new relationships, which again act as bridges to enter new markets and thus, makes learning from the networks a constant process in the internationalization operation (ibid.).

2.2 Internationalization of a Platform Business

2.2.1 Understanding Platforms

The formation of the concept of *platforms* has emerged in three phases starting from the time when researchers used the term to describe new generation products and services which were invented to form a base for new ventures in the product, service and customer variations for a specific firm (Baldwin & Woodard, 2009; Ailisto et al., 2016). The platform which was invented by General Motors and used as a base in all their car models, and the platforms Nokia established for their mobile phone collections 3310/1200/1100 are all examples of inventions which have been recognized as platforms (Ailisto et al., 2016). During the first phase, the focus was mostly in conceptualizing platforms as *platform products*, which is a term Wheelwright and Clark (1992) initially introduced. The core element of a platform product for a company was that the product would be easy to modify and vary to meet the needs of new discoveries (Baldwin & Woodard, 2009; Ailisto et al., 2016).

During the second phase, researchers identified platforms as valuable assets for firms in especially technology industries (Baldwin & Woodard, 2009; Ailisto et al., 2016). Competition between technology businesses through their platform innovations started to evolve, which contributed in a new era in the technology industry. As an example, in the

computer industry, Microsoft published the Windows operating system and built their products in a way that Windows was the regular web browser for all Microsoft computers. This development affected their competitors greatly and acted as an establishment in the computer industry which, even today, still affects the industry. (ibid.). Thus, during the second phase the impact of platforms was presented in a new extent and the concept *platform* gained an added dimension.

In the third phase, industrial economists started to examine platforms as “*products, services, firms or institutions that mediate transactions between two or more groups of agents*” (Baldwin & Woodard, 2009, p.19). In other words, platforms were now presented as market platforms that connected two “*distinct but interdependent groups of customers*”. (Muzellec, Ronteau & Lambkin, 2015, p.4). During this phase, the platform business model was introduced expressively when companies which fully operated by means of offering a digital platform for their consumers started to occur (Ailisto et al., 2016).

2.2.2 Digital Platform Business Defined

A platform business is not an entirely new business archetype however, as presented earlier these types of businesses have been increasingly growing due to the digital information and communication technology transformation (Stallkamp & Schotter, 2018). The third industrial revolution, which has been stated to have begun in the late twenties, shaped the information age we are facing today (Alcácer, Cantwell & Piscitello, 2016). Before the third industrial revolution and digitalization, platform businesses have consisted of platforms such as newspapers and shopping malls where various users have been connected in a more traditional way (Stallkamp & Schotter, 2018). The third industrial revolution and digitalization transformed various industries, including the platform business model (Hänninen, Smedlund & Mitronen, 2018). Today, digital platform businesses are presented as “*firms that provide a technological platform to match a demand and supply side for a good or service by technologically facilitating direct transaction between them*” (Täucher 2017, p.5285).

A digital platform business offers a platform for their network of users which allows the users to interact with each other across national borders and “*generate value through user co-creation of content*” (Brouthers, Geisser & Rothlauf, 2016, p.513). This business model can be seen as a way to connect various groups of users, for example producers and consumers, to interact with each other and shape the global ecosystem (Parker, Alstyne, & Choudary, 2016; Yonatany, 2017).

Digital platform businesses have not yet gained extensive attention among researchers and thus, it potentially explains the phenomena that the business model has a wide variety of synonyms. When examining researches about digital platform businesses the concepts *ibusiness firm*, *platform-based businesses*, *two-sided internet platforms*, *multi-sided markets* and *digital platform firms* arise. Brouthers, Geisser and Rothlauf (2016, p.513) have researched the internationalization of ibusiness firms and “*expanding internationalization theory to a new set of firms*”. Stallkamp and Schotter (2018) have examined the international strategies of digital platform firms. Whereas, two-sided internet platforms or multi-sided markets have been studied by multiple researchers including Evans (2003), Muzellec, Ronteuau and Lambkin (2015), and Eisenmann, Parker and Alstyne (2006). Although digital platform business as a research area is rather recent and vague, the researches discussing the business model involves various perspectives and aims to understand the phenomena from different viewpoints.

Monaghan, Tippmann & Coviello (2020) describe digital platform firms as born digitals. Interestingly, the notion of location becomes important for describing the internationalization strategies of these firms. From one hand, the digital platform businesses may possess a physical office and other premises and, thus, be present in *physical place*. From another hand, these businesses inevitably have an “*identifiable online presence*” and their connections to various markets internationally may be instant. Therefore, their actual operations can be purely occurring in a digital setting meaning that the other dimension that they operate in is an *online space*. (Monaghan, Tippmann & Coviello, 2020,

p.12). As the business often occurs purely digitally and the consumer interaction operates in a digital setting it eases to overcome obstacles which would possibly rise in a “offline” business (Aversa, Haefliger, Hueller & Reza, 2020). These obstacles refer to obstacles such as scalability, accessibility and consumption tracking. However, being a purely digital business then may bring challenges relating to big data and acceleration in competition. (ibid).

2.2.3 Development of Digital Platform Businesses

As presented, the formation of digital platform businesses started two decades ago as a result of the digitalization era (Alcácer et al., 2016; Hänninen et al., 2018). One of the first well-known platform businesses, eBay, was founded in 1995 and from this point on the area has gained attention among researchers (Täusher & Laudien, 2017). Examples of today’s popular digital platform businesses are companies such as Amazon, Alibaba, eBay, LinkedIn, Facebook, Uber and Airbnb. The revenue model for a digital platform business is to charge *“one or multiple groups of users for the right to access their platform or to conduct transactions on it”* (Stallkamp & Schotter, 2018, p.4). It can be analyzed that digital platform businesses are rather new with short histories and these businesses have not formed clearly relating to a certain industry (Hänninen et al., 2018; Constantinides, Henfridsson & Parker, 2018). The fast growth of digital technologies has enabled firms to *“introduce platform business models in a much wider range of industries, often “disrupting” established industry structures”* which explains that the business model is not clearly related to a certain industry (Stallkamp & Schotter, 2018, p.4). However, especially in industries such as the healthcare industry, transportation and financial industry digital platform business models are becoming growingly important (Islind, 2018).

In the early 2000s, the research examining platform businesses started to develop and since then, the phenomena has also been blooming in the strategy field and in the information systems (IT) research (Stallkamp & Schotter, 2018; Agarwal, Gupta, & Kraut, 2008; Constantinides et al., 2018). The platform business model is a fairly new model and thus,

there has not been the need to research the phenomena before the early 2000's. Today, the amount of platform businesses has increased and therefore the research examining the phenomena is correspondently increasing (Stallkamp & Schotter, 2018).

The digitalization of the world is a growing topic which is leading to businesses to contend their business models in the pace of digitalization. Digitalization enables the business and its consumers to interact in a more efficient and easier way and therefore, *platformization* is becoming an emerging trend among businesses. (Parker, Alstynne & Choudary, 2016). Platformization is defined as the “*penetration of economic, governmental, and infrastructural extensions of digital platforms into the web and app ecosystems*” (Nieborg & Poell, 2018, p.4275). Thus, the number of new digital platform businesses is increasingly growing, and businesses which have not earlier operated in this area are starting to shape their business towards this so-called platformization (Constantinides et al., 2018).

2.2.4 Forming a Network of Users and Scaling a Platform Business

As it has been presented in the earlier sections the network of users (both supply and demand side) is the most valuable asset for a platform business (Brouthers et al., 2016). Therefore, the challenge a platform business usually has in the first place is the building of the network to operate with (Hänninen et al., 2018). Platform businesses can be thought of as shopping malls; they do not possess their own inventory, but are dependent on the products or services the stores inside the mall deliver and how well these goods attract consumers, similarly as a platform business is dependent on the network of users they are able to persuade (ibid). Thus, it is important to research the formation of the network for a digital platform business.

Various researchers have addressed the *chicken and egg* problem platform businesses face habitually especially in the early start of a business or when entering a new market (Evans, 2003; Stallkamp & Schotter, 2019; Caillaud & Jullien, 2003). As stated by Caillaud and Juillen (2003, p.310) the chicken & egg problem is the phenomena when “*to attract*

buyers, an intermediary should have a large base of registered sellers, but these will be willing to register only if they expect many buyers to show up". That is to say, if a platform does not have any users no new users are attracted to join the platform's network, but how can a platform business address this issue to attract the first users?

Another phenomenon related to the formation of the user network is the concept of network externalities. Network externalities (network effects) has been presented by Katz and Shapiro (1985) and it refers to the concept of the increased value a platform gains when more users join the platform. This effect may be presented with an example of the value a person buying a telephone gains which is inevitably linked to the number of other consumers buying a telephone and thus, creating a network of telephone users (ibid.). Additionally, as stated by Ailisto et al. (2016) in economics network effect is the phenomena where the advantage a platform offers the users is dependent on the number of active users using the platform. Therefore, all new users in the platform's network increase the value the existing users gain and additionally increase the value of the platform (ibid).

Network effects can be divided into two categories which are the direct and indirect network effects. The direct effects refer to the gained advantage the users in the platform's network achieve when the user base grows. (Bourdeau & Jeppesen, 2014; Ailisto et al., 2016; Katz & Shapiro, 1985). The effect is positive as long as the technical capacity of the platform is sufficient and becomes negative in case the growing amount of users causes inefficiency or technical issues for the platform (Ailisto et al., 2016). The indirect network effects are related to the ability to attract suitable products, services and counterparts to complement the existing platform (Ailisto et al., 2016; Tura, Kutvonen & Ritala, 2018). It is central for a platform business to aim to attract suitable partners before competitors succeed with it and thus, gain an advantage through the network effect this way. Being able to gain a dominant position as a leading platform in a certain industry provides the platform the ability to limit the competition and block new operators from the market. (ibid.). Therefore, when a platform business is designed it is important to consider how the direct and indirect effects will affect the platform's adoption, usage and the ensuring

of value creation (Tura, Kutvonen & Ritala, 2018). In addition, being able to gain advantage of the indirect network effects might result in overcoming the *chicken and egg* problem platform businesses usually face (Caillaud & Juillen, 2003).

Another advantage, yet simultaneously a challenge, which is related to network effects is the possibility of scaling. Scaling is the expanding process of an IT solution (e.g. a digital platform) by offering the service for a new user base, and thus growing the business (Islind, 2018; Monteiro, 1998). Since platform businesses are easily available and do not need a physical presence scaling should be a considerably effortless process for a digital platform business. However, the challenges scaling brings for platform businesses arise since a platform business needs two or more user groups to adjust to the platform and thus, this may bring challenges in the scaling process and how well network effects can be utilized (Islind, 2018). Additionally, when scaling a platform business, it is important that the platform is able to perform in a competent level while the traffic on the platform increases (Menascé & Almeida, 2000). Otherwise stated, the platforms technological architecture should not need changes in order to scale the business, instead scaling should be completed without new requirements to the available resources (ibid.).

Continuing with the subject of scaling and expanding of a business, the author will next present the relevant literature and researches conducted on the subject of internationalization of platform businesses. As mentioned in previous sections, platform business model is a rather new research area which has not yet gained an extensive amount of attention. However, there are researchers whom have studied the area and additionally, the internationalization operations have gained some attention. For example, Brouthers et al. (2016, p.513) have researched the internationalization process of ibusiness firms and have expanded "*internationalization theory to a new set of firms*". Additionally, Stallkamp and Schotter (2018) have examined the international strategies of digital platform firms.

According to Brouthers et al. (2016, p.513) the challenges ibusiness firms (platform businesses) face in the internationalization process are highly related to value creation, since *“ibusiness firms generate value in a unique way”*. Since platform businesses are purely digital it makes the business to be easily accessible with small financial investments when expanding abroad and thus, these businesses should not face great challenges with liabilities of foreignness (ibid.). However, since ibusiness firms are highly dependent on their network of users, Brouthers et al. (2016) have stated that the firms may nevertheless face liabilities of outsidership. The reason being is that since ibusiness firms need to create a *“large enough network of users to generate value on its platform”*, the business might face liabilities of outsidership if the business does not have enough supplies to build meaningful relations in the foreign market (ibid.). Therefore, the internationalizing ibusiness firm must consider the choice of entry and the potential ways of how to build a strong network in the host country.

As stated in the previous sections, network externalities bring value for a platform business since the users are a core element for a platform (Katz & Shapiro, 1985). Network externalities are a meaningful aspect when operating in the home country, but becomes even more important when expanding the business abroad (Stallkamp & Schotter, 2018). Stallkamp & Schotter (2018, p.1) examined the phenomena and showed that it is *“important to consider the geographic scope of network externalities, that is, whether network externalities operate across national borders or whether platform firms have to create separate user networks in each country”*. They continued to state that this also effects the *“key internationalization decisions, such as how to enter foreign markets, whether to pursue multidomestic or global strategies, how to select foreign markets, and when to exit from a foreign market”* (Stallkamp & Schotter, 2018, p.1). Therefore, as Brouthers et al. (2016) presented that ibusiness firms may face liabilities of outsidership when internationalizing, the ibusiness firm must analyze whether the existing network could be utilized in the internationalization process or whether a new network has to be established.

If a platform business is facing the situation that a new network needs to be formed when internationalizing and network externalities do not *“operate across national borders”*, the business usually encounters the similar chicken or egg problem which often occurs in the early stages of establishing a business in the home country (Stallkamp & Schotter, 2018, p.1). Furthermore, the chicken and egg problem is highly associated with the choice of entry when expanding abroad since the choice of entry may ease the chicken and egg problem and open new possibilities in the foreign market.

The choice of entry for a platform business which might support to overcome the chicken and egg problem would be to enter the foreign market with a partner or to participate in an alliance (Stallkamp & Schotter, 2018). According to Kale, Singh and Perlmutter (2000, p.1) *“one of the main reasons that firms participate in alliances is to learn know-how and capabilities from their partners”*. A platform business could generate value if it would gain the access to an already existing user network through an alliance (Stallkamp & Schotter, 2018). However, there is also a challenge when participating in an alliance since a business wants to ensure not to give excessively important information and knowledge to the counterpart. Thus, businesses are often faced with a dilemma concerning what is the right amount of information and knowledge that should be shared and what to be kept withhold when operating in an alliance. (Kale & Singh, 2009).

In the platform business industry, there are few businesses which are considered as *born globals*, however for most platform businesses this theory does not apply (Stallkamp & Schotter, 2018). According to Knight and Cavusgil (2009, p.1) a born global is a firm which *“origins are international, as demonstrated by management’s global focus and the commitment of certain types of resources to international activities. Born globals begin with “borderless” view of the world and develop the strategies needed to expand abroad at or near the firm’s founding.”* Youtube is a great example of a born global platform business since the platform has never been location bound, instead it has always been accessible from all over the world (Stallkamp & Schotter, 2018). However, most platform businesses are highly location bound and thus, cannot operate as born globals. Yet, the

author examines that it is important to acknowledge that some platform businesses possess the nature of becoming born globals.

One aspect platform business should consider when internationalizing is the potential issues relating to country-specific regulations and privacy concerns. Especially during the past few years policy-makers, regulatory agencies and competition authorities have started to pay more attention to the governance of digital platforms (Just, 2018). The reason being, digital platforms are operating with large amounts of data and therefore, the authorities have started to pay more attention to the regulations of how the data should be collected, retained and used in order to honour the privacy of the users (Corbett, 2013; Just, 2018). As an example, the newly presented European Union's General Data Protection Regulation (GDPR) was an action which demonstrates the phenomena that *"governments worldwide are increasingly asserting their authority over internet-based businesses"* (Stallkamp & Schotter, 2018, p.18). However, as stated by Corbett (2018) there are multiple nations which have not presented clear regulations concerning the matter. Additionally, the domestic privacy legislations of some specific nation might not be suitable when operating in the online setting (ibid.). Furthermore, Corbett (2018, p.246) has presented that similarly as the *"intellectual property regime have turned to global regulatory standards...international privacy regulation should be the next stage for the information privacy regime"*. Therefore, it may be acknowledged that the digital platforms could be expecting global regulations regarding business operated digitally.

3 RESEARCH DESIGN

In this section, the author presents the research design and explains the reasons why a certain research method was chosen. In addition, the author will present the philosophical assumptions, discuss the data collection process, and the data analysis procedures. Moreover, the limitations, reliability and validity of the research will be presented.

3.1 Philosophical Assumptions

In all consistent research, the philosophical assumptions need to be considered before the research may be conducted (Eriksson & Kovalainen, 2015). Research philosophy indicates the *“system of belief and assumptions about the development of knowledge”* (Saunders, Lewis & Thornhill 2019, p.130). It may be considered that the research philosophy guides the researcher through the research process when new knowledge is produced (Eriksson & Kovalainen, 2015).

There are various classifications made to explain the philosophical positions in business research literature. This study follows interpretivism since the position aims to understand how individuals interpret experiences and situations. Moreover, interpretivism allows the researcher to understand human actions and the influence individuals' perceptions may have on the research which is an essential part of qualitative research. Interpretivism shows that knowledge is only available from social characters, through communication and that individuals' interpretation is a vital part of the research process. Interpretivists also underline that there are multiple means to interpret the same data, which are all equally meaningful. (Eriksson & Kovalainen, 2008).

Researchers have presented three main approaches to theory development which are the deductive, inductive and abductive approaches. These approaches aim to show how the understanding of the entity in the study is presented. The deductive approach is characterized as testing existing theory and relying the research on a theoretical frame-

work which is based on academic literature. This approach aims to clarify a specific phenomenon, whereas the inductive approach aims to provide new findings and develop theory based on findings from contrived data collection. Furthermore, the abductive approach aims to develop new understandings of a phenomena. In this approach the researchers collect data, performs testing of theory and makes further suggestions or modifications for the tested theory. This research is inductive by nature, since the authors aim is to provide new findings by means of the collected qualitative data. (Saunders et al., 2019). Further below, this inductive approach will be explained in more details.

3.2 Research Strategy

This study is based on finding the answer to the research question *“how do business networks enable digital platform SMEs to internationalize their business and create a user network when internationalizing?”*. Because the research question needs to be looked at through an explanatory approach, the multiple case study strategy was selected. According to Eisenhardt (1989), the multiple case study provides the opportunity for the researcher to identify patterns that are common between the cases and the theory that is being used. Thus, the differences between them can be distinguished.

This research is qualitative by nature. According to Eriksson and Kovalainen (2015), qualitative research focuses on gaining a better understanding of the phenomenon. While qualitative research focuses on understanding the experiences and the ways how those being studied express themselves, quantitative research usually focuses on explanation, statistical analysis and testing of a hypothesis (Eriksson & Kovalainen, 2015; Ziebland & Wright, 1997). Supporting this, Trumbull (2005) states that qualitative research strives to study phenomena in their natural setting with the attempt to make sense and understand the meaning of them. The method tries to bring a more in-depth understanding of everyday life and human perspective to the issue on hold, and studies it in contrast to broad research questions and the theoretical framework (Trumbull, 2005; Johnston, Leach & Liu, 1999).

As presented in the theoretical background section, there are various researches performed on business networks in internationalization, platform businesses, and user networks. However, studies researching business networks in the internationalization of digital platform SMEs and the correlation of business networks in the user network creation exist only little to none. Therefore, in order to gain a better understanding on this phenomenon a qualitative research method was chosen over the quantitative method.

The case study method, which was selected for this research, makes it easy to identify and explain the most important phenomena and the cause-and-effect relationships between different phenomena (Yin, 2003). According to Gerring (2004), it allows in-depth exploration of the company in question, allowing the reader to understand the context, which the company operates in, and what challenges it faces. It must be remembered that the case studies conducted only represent the experiences that the case companies have come across.

According to Ghauri & Grønhaug (2005), the case study method is the suitable method when the research is seeking to answer the *how* and *why* type questions, such as the one of this thesis. This method is thought to be suitable for research areas that are current and for areas which are lacking knowledge about events or phenomena (Crowe et al., 2011; Ghauri & Grønhaug, 2005). Crowe et al. (2011, p.1) have continued to state that *“a case study is a research approach that is used to generate in-depth, multi-faceted understanding of a complex issue in its real-life context”*.

3.3 Case Selection

The case companies for this research were chosen for particular reasons following purposeful sampling approach (Fletcher & Plakoyiannaki, 2011; Patton, 2015; Yin, 1994).

The case companies were selected according to the following criteria:

- 1) they are all digital platform businesses
- 2) they have all internationalized their business
- 3) they are all found and based in Finland
- 4) they are SMEs

The author faced challenges in the acquisition of the case companies since in Finland the amount of digital platform businesses is not extensive and the ability to collaborate was unfortunately poor among certain firms. The case selection process required considerable effort from the author and resulted in the outcome that only three companies were able to participate; these firms were Weecos (weecos.com), Bonusway (bonusway.fi) and Venuu (venuu.fi). However, regardless of the challenges faced in the case selection process three cases are thought to be an applicable amount for the case study method. Consequently, the author was able to study the businesses thoroughly, but also find similar patterns between them. In addition, the three case companies' willingness to collaborate with the author eased the selection process.

3.4 Methods of Data Collection

The primary data-collection method was face-to-face, semi-structured interviews conducted with the firms' representatives. The interview guide was prepared beforehand based on the theoretical background, the research question, and the research objectives. For the triangulation purposes, the author utilized also the secondary data in the data collection process (Guba, 1981). For example, the information regarding the case companies was gathered from the internet to prepare for the interviews and moreover, to further verify the facts after the interviews were held.

The length of the interviews varied from 23 minutes to 90 minutes. The interview questions were sent to the interviewees beforehand, which gave them the opportunity to get familiar with the questions. The length of the interview varied mostly due to the personality of the interviewee as some of the interviewees were more talkative and shared more ideas and thoughts during the interview. All interviews were recorded with the consent of the interviewees and all recordings were transcribed verbatim into text for the further analysis.

More detailed information about the case companies and interviewees can be found underneath in Table 1.

	Business Idea	Interviewee	Title and year of entry	Date	Duration
	A platform which connects consumers with merchants and enables consumers to gather cashback from their online purchases.	Tatu Koistinen	CEO, co-founder, 2011	25.11.2019	71 min
		Ville Laitinen	CTO, 2015	11.12.2019	31 min
		Lasse Järvinen	Co-founder, 2011	20.12.2019	23 min
	A marketplace which brings together consumers who appreciate a sustainable lifestyle and brands which are offering sustainable products.	Hanna Lusila	CEO, co-founder, 2013	2.12.2019	90 min
		Anna Kurkela	Co-founder, 2013	19.12.2019	25 min
	A booking service platform for event venues which brings together space providers and people or organizations who organize events.	Jerome Saarinen	Co-founder, 2013	15.1.2020	65 min
		Jasu Koponen	Co-founder, 2013	20.1.2020	50 min
		Tomi Hänninen	CEO, 2018	30.1.2020	55 min

Table 1. Information regarding the interviewed companies and representatives

3.5 Data Analysis

The data which were received from the semi-structured interviews were combined as three stand-alone case studies. First, the recorded data was transcribed to ease the analysis phase. Afterwards, the data was sorted to be logical and most important findings were highlighted. The author sorted the collected data into separate tables to ease the analysis phase. After this, the identical patterns and observations from these cases were categorized under similar themes based on the guidelines for data analysis by Eisenhardt (1989) and Yin (2003). The data analysis was supported by forming a table to identify similarities from the cases. After this, the gained data was reflected to the knowledge acquired from the literature of the theoretical background. Lastly, conclusions of these observations were gathered.

3.6 Limitations, Reliability and Validity

The aim of this research is to provide more intensity and new perspectives to the existing literature. Therefore, the author does not claim that the topic has not been previously discussed and like all academic research, this one also has limitations. The most notable limitation is the fact that this is a case study research. As the sample for this research is three case companies, the results cannot be generalized to a larger population. However, to some extent the results can be transferred to companies that possess similar traits with the case companies such as other digital platform SMEs. Additionally, when using interviews, the interviewees can understand questions differently. They might also try to embellish the truth, especially in matters that are sensitive for them.

In all research, the reliability and validity of the research should be addressed, since they refer to the *“objectivity and credibility”* of the research (Silverman, 2016, p.414). Reliability refers to *“the extent to which your data collection techniques or analysis procedures will yield consistent findings”* (Saunders, Lewis & Thornhill, 2019, p.156). Saunders et al. (2019) have proposed three questions which defines the reliability of a research; 1) will the measures yield the same results on other occasions?, 2) will similar observations be reached by other observers?, and 3) is there transparency in how sense was made from the raw data?.

Saunders et al. (2019) have continued to state that there are four threats concerning the reliability of a research which are 1) subject or participant error, 2) subject or participant bias, 3) observer error, and 4) observer bias. Moreover, Golafshani (2003) has stated that to ensure reliability in research the trustworthiness and quality should be absolute. However, Golafshani (2003) has continued to state that in qualitative research the quality, and therefore the reliability, is somewhat irrelevant. The reason being, and the reason why Saunders et al. (2019) have addressed the four common threats, is that the nature of qualitative research is based on acknowledgements of individuals perceptions and thus, it may not be ensured that if another researcher would perform the same research again, the results would be identical.

The validity of a research *“is concerned with whether the findings are really about what they appear to be about”* (Saunders et al., 2019, p.157). Similarly, as for reliability, for validity Saunders et al. (2019) have listed threats; 1) history, 2) testing, 3) instrumentation, 4) mortality, 5) maturation, and 6) ambiguity about causal direction. Since this research was conducted through interviews it is relevant to address that *“whether the views expressed by the interviewees reflect their experiences and opinions outside the interview situation, or whether they are an outcome of the interview situation itself”* (Silverman, 2016, p.414).

4 FINDINGS

In this section, the three cases of digital platform SMEs are presented. All companies are introduced in four parts: (1) background, (2) creating a network of users, (3) internationalization of a platform business, and (4) networks in the internationalization. The case studies have been written based on the interviews held with representatives from each of the companies, however additional information has been retrieved from each company's website. To ease the interpretation of the findings, when presenting straight quotes from the interviewees, the author is using abbreviations for each interviewee, which are presented below. In other case, except the straight quotations, the author has assembled together all the interviewee's statements from each company and presents them as a whole to give the reader an uncluttered report of the findings.

Interviewee	Abbreviation
Tatu Koistinen	T.K.
Ville Laitinen	V.L.
Lasse Järvinen	L.J.
Hanna Lusila	H.L.
Anna Kurkela	A.K.
Jerome Saarinen	J.S.
Jasu Koponen	J.K.
Tomi Hänninen	T.H.

Table 2. Abbreviation for each interviewee

4.1 Case Bonusway

Background. Bonusway (bonusway.fi), formerly Ostohyvitys.fi, was founded in 2011 by two Aalto University students, Tatu Koistinen and Lasse Järvinen, who met each other in March 2011 at an event hosted by Aalto Entrepreneurship Society. Things started to evolve quickly and already in May 2011 there was the first version of the platform ready to be published. In June 2011, Bonusway's team grew with two additional members and the platform was officially introduced to the public on 9th of June 2011.

Bonusway is a digital platform which enables consumers to gather cashback from their online shoppings. The platform is an online version of regular bonus cards offered by shops and the aim is to connect online merchants with consumers. The business operation is built so that the online stores pay a certain commission for Bonusway from the gained transactions from the platform. Currently there are over 5 million users and 8 000 merchants on the platform and the platform is operating in 15 countries. At this point, 90% of the platform's sales are coming from outside of Finland and, thus, the company is operating remarkably internationally. Bonusway employs 40 people from which 30 are located in Helsinki and 10 in Russia.

Creating a Network of Users. When Bonusway started their operations, they had several types of activities which enabled them to start creating the network of users. The founders of the company had a few e-mail lists from the past which were utilized to reach potential users during the early days. In addition, the company started to write to online forums where consumers were discussing about online shopping and tell them about their platform. Furthermore, Bonusway started to operate their own performance-based marketing campaigns and work with influencers from early on. The interviewee's claim that the marketing they utilized to acquire the first users was very small scale, but also very active.

Since Bonusway's platform has two types of users, the consumers and the merchants, the company had to start to acquire both stakeholder groups. The interviewee's stated

that they were able to pass the *chicken and egg* – problem partly, since their business model allows the merchants to be involved without any costs. The company could reach out to the first potential merchants, present their future plan for the company, and acquire them to participate since getting on board with the platform would not cost anything for the merchant. If the merchants would start to gain sales through Bonusway, then the merchant would pay a small commission to Bonusway. Therefore, the merchants do not possess any risks or costs when joining the platform which the interviewee's see as extremely critical when building a network. However, the interviewee's mentioned that they acknowledge that the chicken and egg problem is very classical for a platform business and stated that they have been lucky to be able to avoid this phenomena, since *"we have been privileged on that way that we have always had the other side of the equation ready"* (L.J., 2019). The performance-based marketing model made it possible for Bonusway to reach out to the merchants before having a wide user network since *"they were able to commit without us having any proof that we are going to have any success."* (T.K., 2019). The interviewee's pointed that today, the user network is the most important aspect for the company since *"what we are selling to the merchants or the business, it's our users"* (T.K., 2019).

Additionally, affiliate marketing networks have had a high impact on Bonusway's user network creation. These affiliate marketing networks enables Bonusway to reach multiple merchants at the same time and save time. The interviewee's stated that *"if there wouldn't be these third parties getting these merchants in, we wouldn't be doing this. It takes so much time and energy to negotiate one by one, so I think this is clearly the thing."* (T.K., 2019). Therefore, it can be said that the affiliate marketing networks have helped Bonusway to build a larger user network in a rather short time-frame.

When Bonusway expands to a new market, the user acquisition model does not change. The company is using dynamic budgeting so they spend money there were they get the best results. Bonusway has approximately 20 different campaign types and each country

tries these same campaigns and based on the results decide which should be used in the future. The user acquisition model is thus made to be easily scalable and replicable.

Internationalization of a Platform Business. In 2012, only after half a year of operations, Bonusway expanded their operation internationally and went first to Russia. The reason why the company chose Russia as their first international market was mostly related to the fact that the founders had connections there. Thus, the founders previous connections became the basis for the international expansion. The founders knew people who they could trust and who could take care of the local business in Russia. The interviewees stated that they do not think the expansion to Russia could have been possible without the local connections.

Bonusway has stated that they consider themselves as a hybrid platform, which means that they are both local, and global at the same time. The company has been able to utilize mostly the merchants network in their international expansion and not the end-user network. The reason for this is that half of the merchants on the platform already operate internationally and thus, are available in new markets when expanding and appeal across national borders. *“So, for example if we have a deal with booking.com we are able to use the same deal in a new country, but then we need some local merchants too.”* (T.K., 2019). Nonetheless, when discussing about the consumers the interviewees point out that rarely for example a Finnish user makes sense for a Russian merchant. There are a few exceptions, for example when the company went to Estonia which is a country with a rather large Russian minority and thus, the exposure Bonusway already had in Russia was seen as an advantage.

As for the resources, Bonusway has been lacking in the international expansion the level of understanding of the new market and lack of local presence are two aspects which rose from the interviews. Bonusway has made the decision to run all operations from the Helsinki office, excluding Russia which is operated locally. When the knowledge of a new market is low *“you go there and then you just try and see how things start going... I*

think it's more that we know basically nothing at all. When we go to a new market we do a certain type of marketing analysis.. We have probably seven areas that we go through and then we're like okay, it's a good enough market to test and then we go and start learning." (T.K., 2019). The interviewee's stated that since their business operation model is very flat and each country manager takes care of multiple areas and is very generalized with their knowledge, the company is lacking deep understanding of certain areas. It was pointed out among the interviewee's that possibly having a local team and local presence *"you are better equipped to do different kind of partnerships and you are more involved in the local scene and with the local stuff"* and *"when you don't have the local contacts you can't build the same kind of relationships that you could if you would be there. So there is a benefit to be there, but there is also a cost and our vision has been that the cost is not worth it."* (L.J., 2019).

Bonusway has built their business model in a way that it is easily scalable and standardized. When the company was found, it was clear for the founders right from the beginning that the company would become international. Therefore, the founders built a *"platform that is scalable so that we need only translations and if there are any fine-tuning for a country, we do that but if no needed we don't do it "* (T.K., 2019). Examples of fine-tuning have been related to payment methods, communication style and naturally the merchants need to be localized in order to gain new consumers from the host country. The interviewees stated that *"the first part of the business is to get the users in, then the second part of the business is to communicate with the users so that they remember us with like e-mail and social media. In that case we have left a lot of freedom for the countries responsibilities in the tone of communication and how strong it is, how friendly it is and so it can be varied a lot. ...the culture part is to understand the medias place and understand and follow the social media, like what are the trends and so on."* (T.K., 2019).

Networks in the Internationalization. For Bonusway, the interviewees stated that there is a variety of diverse networks they are involved within their operations which have supported their journey. There are the investor networks, since without financing the business is not able to grow, then there are the affiliate and performance-based marketing networks which enables Bonusway to reach many merchants at once. Therefore, the interviewees states that it is crucial to build long-lasting relationships with these partners. However, there are some relationships which have been built directly with certain important merchants without the intermediate partner in between which then forms separate business networks. Furthermore, the interviewees see that relationships with marketing partners and media houses are clearly important business networks for them in the international operation and when building the user network.

The interviewees mentioned that taking care and building all the networks requires a lot of time and thus, the load is split mainly between the two co-founders. Bonusway has internationalized to multiple new markets by acquiring attractive competing companies and this way entered new markets. This strategy requires the effort to scout for potential companies and form relationships with these companies before the acquisitions. By utilizing this strategy of acquiring competing companies Bonusway has been able to build their user base by getting to the acquired companies and not having to build the user networks from scratch in a new market. Therefore, Bonusway has somewhat been able to pass the user network creation phase in a new market by acquiring a company with an operating user network. The business relations Bonusway have built and this way gained access to acquire competing platforms have thus eased Bonusway's user network creation in the internationalization.

As mentioned, Bonusway operates in a way that they have employees from each operating market working from the Helsinki office with Russia being an exception. The interviewees state that although the process of operations is highly standardized and the business model does not change greatly between different markets, it is important that the employees visit the countries and meet the local partners regularly to nurture the

connections. It was mentioned that it is important that the person who is taking care of a certain market has previously lived in that specific country and has a deep understanding of the market. The company once went to Singapore and had a foreigner running the business, but quite soon realized that it did not work since the person had never lived in Singapore and thus, it created many issues in the operation. The interviewees acknowledge the importance of nurturing their business networks as they have a high importance in the success of their business nationally and internationally.

4.2 Case Weecos

Background. Weecos (weecos.com) is a Nokia-based company which was found in 2013 by Hanna Lusila and Anna Kurkela. The idea of a platform which would gather sustainable products under one site started to evolve in 2011 when Hanna and Anna felt that there was a clear need for consumers to easily find sustainable and environmentally friendly brands, but there was no service available which would offer an easy way to find them. The founders explained that *“we really wanted a platform where the companies who wanted to develop their business and their production towards circular economy and sustainable design could be joined together”* (H.L., 2019). Thus, the two founders came up with the idea of Weecos. Weecos platform was opened during the summer 2013 and currently the company has five full-time employees and offices in Nokia and in Helsinki.

Weecos is a platform which gathers responsible and sustainable brands under one website for consumers to find them easily. Weecos states that *“from the beginning, it has been crucial for us that we know where from the products are. This we ensure by with an auditing process and our sustainability criteria, which was created together with several experts.”* (H.L., 2019). The platform currently has 270 brands on board and approximately 55 000 - 75000 visitors per month. Out of these 270 brands, 20 brands are from abroad and currently, 10% of the sales come from abroad. The countries the sales are coming from in addition to Finland are United States, Sweden, UK and Germany.

Creating a Network of Users. In the beginning, when Weecos started the platform they were able to recruit brands and designers along which they knew previously. Since the founders were involved in an association called Design on Tampere, and Anna Kurkela had found the clothing brand Papu Design and worked as an entrepreneur, they had been able to build various connections with people from the design industry. From this network, the founders were able to attract the first pilot brands to the platform. The interviewees explained that before starting to build the platform the founders interviewed various designers if there would be interest towards this type of platform. Based on the answers they received and with the development help from these designers the platform was developed. In addition, the founders participated in a start-up course where they were able to pitch the idea, build connections with potential team members and set up graphic designs.

As mentioned, Anna Kurkela found Papu Design Oy in 2012. The interviewee's mentioned that at the beginning the platform operated mainly as Papu's online store and *"Papu was doing a lot of sales and because of Papu's awareness people came to Weecos. Basically the first years we were more like Papu's web shop so to say...that's something that was really good for us"* (H.L., 2019). Thus, the first consumer users found the platform mostly through the awareness of Papu; this way the consumer network started to grow. However, the interviewees mentioned that it was not easy to gain a steady user network and they had not realized how large mass of users the platform needed. *"We really didn't understand how much people you need there to buy. We had of course done calculations and so on, but building a platform brand from the scratch you don't just get people buying there. Building the reputation it takes time."* (H.L., 2019).

The interviewees explained that one important aspect related to the brand building is marketing. However, the founders did not strongly execute brand marketing in the beginning of founding the platform which the interviewees see is a section they will need to focus on more in the near future. Today, Weecos is, for example, utilizing influencers in their marketing and see them as one of the most important marketing channels for

the platform, but in the very beginning they did not utilize them although Papu had been working with influencers before. H.L. stated that the reason was that *“we had some self-esteem challenges with the brand, we wouldn't think that influencers would promote Weecos, our brand. So they were more promoting the products that we sold. For example, Papu had a lot of influencers and so on, but we didn't really get it that they could also promote the platform”* (H.L, 2019). The interviewees continued to explain that they forgot to promote their own brand at the start and that their *“own brand development was in children's shoes. We forgot about it.”* (H.L, 2019).

The interviewees expressed that although there were difficulties with gaining enough consumer users to the platform, they were able to acquire the first brands to the platform fairly easily. The reason was that for the brands, joining the platform was risk free, *“..we have this no risk business model for the companies...you don't lose anything except your time if it doesn't go anywhere”* (H.L, 2019). The Weecos team also attended multiple design industry fairs where they were able to build connections with new brands. They also had, and still have, a person who is responsible for the sales and contacting of brands. Additionally, the interviewees mentioned that they were able to gain new brands to the platform through the brands who already were on the platform recommending the platform to other brands and designers.

Internationalization of a Platform Business. Right from the start when Weecos was established, the founders had a vision that the platform would be international. The interviewees stated that they would not have started a platform if they would not have thought about internationalization, since they see that *“the bigger the platform, the bigger the impact”* (H.L, 2019). The interviewees recognize that they have a quite narrow niche as their target group and therefore, they knew from the start that *“from Finland we couldn't get that kind of audience that we could have our costs covered with our revenue”* (H.L., 2019). The aim for Weecos is to be a platform which brings together international users and international brands and provide a platform which operates without borders.

The interviewees explained that when Weecos was established they first hesitated that should they even provide a Finnish website or only an English version, since their vision was to operate internationally as quickly as possible. Anyhow, the founders realized that because they were going to gain the first consumers from Finland it was going to be easier if they provided the website also in Finnish. Thus, today, the platform is provided in both English and Finnish and is optimized to serve both language speaking consumers.

Nowadays, it is easy for a brand outside of Finland to join the platform, but this was not the case when Weecos started. The platform ran into various issues which made the international operation difficult in the start. *“We ran into these financial laws that restricted the internationalization. Basically, we had a payment provider.... and according to the financial laws, they didn’t have the right to distribute the money to any companies outside Finland, cause they weren’t a bank”*. (H.L, 2019). Thus, this occurrence led to the outcome that Weecos had to disqualify some international brands which would have wanted to join the platform, since it was not technically possible for them to operate on Weecos. Although the issues with the finance side has been mostly defeated, there are still some matters which cause troubles for the platform and the interviewees see that *“It is more easy for a normal web shop to operate internationally, although of course internationalization always has certain challenges”* (A.K., 2019).

In the beginning, Weecos did not have an exact strategy for internationalization or specific markets that they wanted to enter to. The platform grew considerably organically at first to some markets, but then Weecos started their first actual international operations by expanding the business to Sweden. Sweden was selected as the first market to be entered since the founders already had connections there, some media agreements and a possibility to arrange a pop-up. Additionally, there was not a platform like Weecos in Sweden and thus, the founders saw an opportunity there. The interviewees explained that they had thought that Sweden would be a rather similar market as Finland, however, they learned to realize that it actually operates quite differently. It was acknowledged

that the culture there is rather different, and that Swedes are even more enthusiastic about domestic brands than Finns are.

The entry to Sweden did not quite succeed as planned and the interviewees stated that the biggest challenge was that the company did not have enough cash to operate there. Weecos had to start to build their brand awareness *“from the scratch and in Sweden it’s quite challenging”* and would have required extensive amount of funds (H.L., 2019). Therefore, the launch in Sweden did not go as expected and now the company is learning from the mistakes and thinking what they could do differently in the future. The new strategy Weecos has for internationalization is to perform test-marketing in digital channels to the countries where they get traffic and then focus on these countries where natural interest is already developing. Additionally, the company recognizes that the *“internationalization starts from the brands and along with the brands, follows the end consumers”* (A.K., 2019).

When discussing the ability to utilize the existing network of users, both the brands and the consumers, in the internationalization phase, the interviewees stated that they have mostly been able to utilize the existing brand network, but the effects are still rather small. For example, if a Finnish brand is starting to gain consumers and sales from abroad it usually organically leads to the phenomena that the consumers find more brands to buy from Weecos and the traffic from that market grows. Similarly, a brand outside from Finland may bring new, international customers to Weecos.

Another point the interviewees mentioned was that when attracting new brands from abroad it naturally helps that Weecos has a steady user base and certain number of visitors per month on the platform. Therefore, this way Weecos can utilize the existing user network since it provides as proof for the new potential brands that the platform is successful and thus, desirable. This phenomenon was noticed when Weecos expanded to Sweden and recruited brands from there as *“it helped to grow interest that we could say*

that we have almost 20 000 followers on Facebook and have 100 000 visitors each month” (H.L., 2019).

In the internationalization development the interviewees pointed out that there are certain resources that they feel they have been lacking. One clear aspect was the lack of money and investors, since *“when talking about this kind of platform, our earning model is such that we need quite large volumes to get the scaling really rolling” (A.K., 2019).* Thus, the interviewees explained that there needs to be rather heavy investments made in the beginning to get the platform profitable and that *“if we would have had a stronger funding, our growth would have been faster” (A.K., 2019).* However, the interviewees also mentioned that since their growth has not been remarkably fast, it has left room for testing different strategies and budget allocation and that they have learned greatly from this.

One area which has elevated Weecos challenges in their international operations is the pricing models. Weecos is operating on a commission-based model, which means that they take a certain amount per each transaction on the platform. This model has caused challenges, since the founders have realized that within different markets different amount are workable. The interviewees explained that in *“Europe it seems to be working quite well cause in Europe the platforms seems to be working like this. But in States it is different, cause there are so many platforms already... In US 20% (commission fee) is definitely too much... Because I think Etsy takes like 3,5%”.* (H.L., 2019). Thus, the pricing model is an aspect the founders need to adjust along with their international operations and figure out how to accomplish a model which would suit for all.

Networks in the Internationalization. The founders of Weecos explained that they have both intentionally and accidentally formed international business networks. The interviewees told that they have for example listed international brands with whom they would like to do business together and started boldly contacting them. On the other

hand, the founders have had several relations from previous years which have then acted as bridges to reach new networks both in Finland and abroad.

When discussing about the founders' previous relations, the interviewees mentioned that the design network from Tampere aided Weecos to get the first users to join the platform. Thus, the existing business networks have aided Weecos in building their user network in their expansion since one segment of Weecos' business networks may be thought of as the designers who might connect Weecos to other designers in Finland and abroad, and thus, grow the business network. Yet again, these same designers might additionally join the platform themselves and become part of the platform's user network. Thus, the business network and user network in Weecos' case is rather complex, and they are highly embedded with each other.

According to the interviewees, being open to everyone and networking frequently is the key to find the right partners, since *"you never know who is the right one (connection) in that way"* (H.L., 2019). However, Weecos has faced challenges with their business networks and most of these challenges have related to trust issues. The interviewees pointed out about networks was that they have lacked the ability to *"spot the right networks"* (H.L., 2019). This has then led to the situation that *"we have had trust issues, we have trusted the wrong people"* (H.L., 2019). However, there has also been many successful encounters which have led to a win-win situation for both counterparts. It was underlined by the interviewees that these encounters then potentially lead to the outcome that the business develops in some extent.

It was discussed by the interviewees that when expanding to a new market, Weecos understands that they need resources to have people in the new country at least for some time to build the business there or have people who they can trust to help with starting operations in the new market. In addition, the interviewees mentioned that they have lacked the knowledge and understanding of building a global platform from Finland since no one has done it in the clothing industry before and as *"we don't operate*

on the same retail rules that there are. For example for us if we need to do more sales it's like put on the discount sales, but we can't do that cause we're not selling our own products. So we would need someone who has gone international with a platform and does not sell their own products, but just a service” (H.L., 2019).

The interviewees stated that the business networks have enabled Weecos to reach resources which they have been lacking before in the internationalization and will continue to do so. More specifically, the interviewees saw that networking is like a snowball-effect which means that the business network naturally grows to some extent. This means that one connection may lead to another and the interviewees see that business networks clearly have a role in their international growth. Weecos stated that the lack of financing and to recognize the “right” kind of networks have been resources they have been lacking. However, they see that with the help of their network they have and will be able to meet new potential investors and additionally, as mentioned, the network moderately grows naturally.

Possibly due to recommendations, Weecos has been contacted by brands from abroad expressing their desire to join the platform. When the platform was established this phenomenon was rather troublesome for Weecos, since as mentioned earlier, there were multiple issues with the payment legislations in the beginning. Luckily, today, most of the payment issues have been solved and the interviewees explained that *“people want to help us internationalize....I think that now the times are really good for us, for platform thinking and sustainability. And we have been on the field for several years so it's not just a start-up that doesn't know what to do. We have already ran into our ups and downs” (H.L., 219).*

The interviewees' note that they see it crucial to continuously build their business network as they have seen a straight correlation in building their user network. As stated, Weecos' business and user network are somewhat connected since a business relation

might eventually become a user on the platform, as well as aid in other ways in the internationalization of Weecos' business.

4.3 Case Venuu

Background. Venuu (venuu.fi) is a booking service platform for event venues. The company was founded in 2013 by Jerome Saarinen, Jasu Koponen and Emil Sångfors. The idea of the company was established when two of the founders, Jerome and Jasu, attended a summer start-up course held by Aalto University. During this summer course the idea of Venuu began and by the time the course was over, the idea had won the first prize in the competition at the course. After this the company's operation started properly. The idea of Venuu's platform is to connect together venue providers and people or organizations who need to arrange events.

Currently, Venuu is officially operating in Finland and Sweden, but there are also possibilities to book venues in Denmark, Poland, Estonia, Germany, Spain, Italy and in the UK. The company decided to expand to Sweden in 2015 as the competition there was very low according to the market research the team did at that time. Currently there are over 3900 spaces available on Venuu in Finland, 1200 in Sweden and 870 in other countries. The current CEO of Venuu is Tomi Hänninen.

Creating a Network of Users. When Venuu was established and the business started to perform, the founders started to aggressively acquire the first users to the platform. From the supply side, the venue providers were acquired through cold-calling and trying to convince the providers that it would be beneficial for them to join the platform. The interviewee's explained that at the beginning they offered the venue providers a deal of a fixed fee for a year to join the platform. Paying this fee, the provider could get visibility on the platform. Thus, the barrier for the venue providers would have been low.

Initially, Venuu intended to have a commission-based model, but one month prior to the launch decided not to have it. Until, when entering Sweden the commission based model

was experimented. The reason the commission based model is seen as more suitable for a platform like Venuu is that *“we’re first trying to build the traffic and necessarily we don’t require the event providers for commissions on the first year, but after we have proven the concept to them and we know already who is bringing us the most value. Those will then be monetized.”* (T.H, 2020). When discussing about the acquisition of the private and company users, the interviewee’s stated that they mostly did traditional digital marketing to reach them. Search engine optimization, online marketing and PR activities were mentioned to have been extremely important during that time.

The interviewee’s analyzed that during Venuu’s operation they have definitely faced the chicken and egg problem; however, the interviewee’s mentioned that they have not probably faced as much difficulties as other platform businesses may face. The reason is that they changed their business model to a commission-based model after some time of operation and thus, the barrier for venue providers decreased. Yet, the chicken and egg problem is still sometimes present and the interviewees stated that for example if trying to expand to a new city in Finland they often got the response that they need to be able to show some numbers of the user traffic in order to get them on board, since *“If we would call to Pori, they would say that well you don't have any places listed in Pori so probably that how many bookings you have to Pori at the moment and we're like well... zero. Well, then they're like call me when you have one hundred a day and the further you go, the barrier of how to get the service-providers on board increases”* (J.S., 2020).

The interviewee’s explained that the learning point they discovered when collecting the network of users is that you need to choose to focus on one or the other user network and have a full focus on that. Venuu started to focus mostly on the venue providers first and tried to make the barrier for them to join the platform as low as possible. The process has eased notably since the company started, but the interviewee’s explained that the chicken and egg problem possibly never fully goes away when the business is growing.

Internationalization of a Platform Business. As stated in the previous section, Venuu decided to expand to Sweden in 2015 as the competition there was very low according to the market research the team did at that time. In addition, the interviewees stated that the fact that they knew the language was also one reason to enter Sweden, as well as the fact that they thought that the culture would be to some extent similar as in Finland. However, there were multiple aspects which the team should have thought of before entering the Swedish market.

First of all, Venuu decided to change their revenue model from the visibility fee to a commission-based model just before they launched in Sweden so they entered a new market with a revenue model they had not tested in their home country. *“...talking with investors and talking with anybody and noticing how much easier it would be to sell commission based models to venue providers, especially outside of Helsinki where they don’t know us so well so we started switching to commission based model and basically just prior to us going to Sweden. So we went to Sweden with a model that we hadn’t quite tested yet, and then of course it was harder than expected even in Finland.”* (J.K., 2020). Thus, the interviewee’s pointed one of the most important lessons the Venuu team learned from the case Sweden was that *“don’t try commercialize or internationalize a business with a model that you haven’t even proved in your base country”* (J.K., 2020).

Another surprising factor which occurred in Sweden was that although the Venuu webpage was getting a good amount of traffic, the conversion rate was very low compared to Finland. Thus, there were people coming to the site and browsing the platform, but not making the venue bookings through the site. This is still an aspect which the board members are trying to look into that what the reasons behind it were so that the company could learn from these regarding the future. Potential reasons the interviewee’s speculated are that it might be *“something related to how we operated or how our platform worked there...but then there is just this x-factor that we really don’t know, it might be something about the culture being different”* (J.K., 2020). The interviewee’s mentioned that it might be that in Sweden Venuu might be facing a problem which has

occurred for other platforms as well which is that the platform is used as a place to find information, but then the final transaction is done directly with the provider. *“...Swedes are more extroverts and sociable so they are not shy to calling the venue, but in Finland you actually want to send a message”* (J.S., 2020).

The interviewee's explained that the basic fundamentals of the business model such as *“how we get customers, how we get venue providers, the deal we offer them”* (J.K., 2020) stayed the same when they entered Sweden. Nonetheless, there are some aspects that need to be adjusted to the new market, which are potentially mostly affected by the differences with the culture since *“...I hope we can just stamp it to other countries, but of course there are differences as we learned in Sweden”* (J.K., 2020). The current CEO of Venuu stated that when discussing about platform businesses and their internationalization it is commonly thought that the process would be easy since platform businesses do not possess as much physical presence as traditional businesses. He explained that *“The tech part of a business model can be copied and transferred from one country to another, but not operations and relations. The latter requires hours of manual work, labour, meetings, building trust, pitching... Often venture capitalists think that platform businesses are easier to scale. But no, they are as hard to internationalize as others.”* (T.H., 2020).

Additionally, interviewee's expressed that they see it's necessary to have local presence in the international markets, even though the business is purely digital. The reason for this is that *“you have to be in the area that you understand that what are the handicaps or to find the differences in what is done in Finland and what should be done in the second market so that someone will go there and understand the difference”* (J.S., 2020). Moreover, it was mentioned that since Venuu's market is very local comparing to for example Airbnb, which is a very global market. It was mentioned that local presence is needed since, *“you want to have good relationships at least with your key partners of the venue side, so you want to be able to call them and meet them, visit them”* (J.K., 2020).

As mentioned, in addition to Finland and Sweden, Venuu is also operating in Denmark, Poland, Estonia, Germany, Spain, Italy and the UK. After learning from the launch in Sweden and growing knowledge about platform company's internationalization, Venuu has started to test a new strategy for their internationalization. *"So we spent 400K on Sweden alone in one year and it didn't work well. Soft launching Denmark, Poland and Spain it cost us 30K, so with 400K we should have soft launched maybe the whole Europe and then see where to go next. And then for those countries we should have raised another round."* (T.H., 2020). This new strategy works in a way that first Venuu made a rather extensive market research for most European countries and analyzed which markets could be potential for them. Then a prospect list for each market was made and after this, the company started to acquire venue providers from these seven countries listed above.

The process of acquiring the venue providers differs regarding the market. For Denmark the strategy has purely been about sending e-mails and cold-calling the providers, and asking them to come along, but *"in Poland we started basically just listing, not even contacting them, but just listing them our self"* (J.K., 2020). Whereas, for example in Spain the strategy has been something from between. Today, all the providers know that they are listed on Venuu's site and that the company will start to probably monetize the business at some point. The idea of this strategy is to test as many markets as possible at the same time and then see which markets are the ones that Venuu should emphasize and bring to the next level and which are the ones that should be possibly forgotten.

Due to the new strategy, Venuu has decided that the next step for the company will be to expand the operation in Spain since it has been one of the best performing markets in addition to Poland. The reason why Spain will be targeted next over Poland is purely because one member from Venuu's team already knows Spanish and thus, will be able to easily communicate and start the operation in that country. However, Venuu acknowledges that they need to find the key people to take care of the operations in Spain, if they

actually decide to open a local office there. In this case, the interviewee's understand that it may be difficult to find the right people to work for them and they will need to look into their existing start-up networks or use an agency to find the key operators for them.

Networks in the Internationalization. When discussing about business networks role in the internationalization of Venuu, the interviewees mentioned that the importance of business networks is mostly present with investors and when opening a local office in a new country. The interviewee's do not see that they at first need business networks from the markets they are seeking to enter since they can run the first, small-scale operations (contacting the venue providers and digital marketing operations) from Finland themselves, but once they are operating in the market fully various networks become important. Additionally, it occurred that building relationships and a wide network of investors is utterly time-consuming.

The interviewee's stated that for start-ups it is usually hard to figure out how to get to the right people and especially when discussing about funding. In other words, for example when Venuu had the first funding round, the investors were lined up and everyone wanted to be a part of this new business, but when years went by, the hype of the Airbnb-type companies decreased and when the next funding rounds were held, it was a lot tougher to get to the investors involved. It was stated that when building the network of investors, *"it's really a lot of work and at some point me and Jasu we did at least 50% of our working hours for raising money. It's classic selling, contacting, calls, going to conferences"* (J.S., 2020).

When Venuu is fully entering a new market the interviewees see that in that stage the business networks in the new market become important. There needs to be trustworthy people found to work at the local office and therefore, the interviewee's explained that it requires work to find the key people for the new market. There is an option to hire an

agency to search for the potential employees for the new local office or then, the interviewee's see that they can utilize their existing start up network in the process of finding the right people. The interviewee's see that another way to find the right people is to attend exhibitions and meet new partners there. In addition, when the local office is running and Venuu has found the right people to run the office, the employees need to build lasting relationships with the main venue providers to keep them satisfied and furthermore, potentially help Venuu to access new providers. Thus, business networks become important during the stage when Venuu opens a local office in a new market and monetizes the business. Then, the business networks built in the new market may open possibilities to grow the user network as local connections may act as bridges to local venue providers who will join the platform.

When discussing about the user networks utilization in the internationalization, the interviewees noted that they cannot utilize the existing network on the platform, however, there is another advantage of the existing user network. The advantage a steady user network in one market brings for an entry attempt to a new market is that *"it makes you more trustworthy... because when you call a new place you can say that we currently operate in Finland and we have 4000 venue provided here, booking 200 events everyday etc."* (J.S., 2020). Therefore, this is the advantage the existing network may bring for Venuu, but the actual users cannot be utilized in any other way since the operation is very local on the platform. It was highlighted that this is a vexatious matter for the platform since *"the lack of added value or the advantage of the existing network when expanding was in sense quite tough for us, but that's obviously the problem with many marketplaces. But that's definitely one of the reasons why Airbnb has been able to be so successful"* (J.K., 2020).

5 DISCUSSION

In this section, the author will discuss the findings from the case studies in relation to the theoretical premises provided in section 2. The discussion is organized around three parts respective to the themes identified in the previous sections. Lastly, model development is presented.

5.1 Internationalization of a Platform Business

In the theoretical background it was suggested that SMEs are usually more dependent on their business networks when internationalizing and do not usually follow traditional internationalization models (Johanson & Mattsson, 1988; Coviello & Munro, 1995; Elo, 2005). All case companies began their internationalization from countries which are geographically close to Finland, however, the geographical distance was not the only reason for the market choice. Both Weecos and Bonusway chose to enter to specific international markets (Sweden and Russia), because they had previous connections in these countries. These relationships had emerged during their previous careers and later, served the possibility for the company to **utilize these connections and make the entry to a new market easier**. Furthermore, all case companies highlighted the aid their previously built business relations had given them in the internationalization of their digital platform which was additionally presented in the theoretical background by Håkansson & Snehota (1995).

Bonusway decided to enter Russia as their first international market, since one of the founders had connections in Moscow from his former career. It was acknowledged from the case that since **the founders knew people from Moscow who they could trust and who could take care of the local business operations** in Russia it was a rather easy decision to enter that market first. Thus, it may be addressed that Bonusway **started their international expansion by utilizing the existing business networks they had**. The need of trustworthy business networks in the entered host country was emphasized in the theoretical background by Håkansson and Ford (2002) which was highly emphasized in

the Bonusway's case. In addition, Weecos had a fairly similar start as Bonusway since they decided to enter to Sweden since they had existing connections there and **possibilities had occurred as a result of these connections**. Therefore, it can be stated that both Weecos and Bonusway decided to enter the specific international markets due to networks they had formed previously although the countries appeared to likewise locate geographically near to the host country. Moreover, these findings all support the network approach presented by Johanson and Mattsson (1988) as the business networks have clearly aided in the internationalization of the case companies.

Venuu made the decision to enter Sweden as the first international market based on a few reasons. The assumption was that there would not be competition, the language was familiar to the team and the culture was assumed to be to some extent similar to the Finnish culture. However, Venuu's entry to Sweden was not fairly successful and the company decided to switch their internationalization strategy. One aspect which affected Venuu's difficulties when entering Sweden, was that they entered the market with a business model they had not tested in Finland. Today, Venuu is operating with a strategy where they first do **thorough market research on markets they are interested in**, then they **select the markets which seem to offer the most potential and enter them with a light entry**. The light entry means that they do not fully enter the market, but operate test runs to see if there is demand for their platform. After they acknowledge which markets could potentially provide successful operation for the business, Venuu selects the one they have more knowledge about and where potential connections existing. In this phase, the **business networks become important for Venuu, since they want to build a local team and need resources to accomplish this**. The previous international business research has not addressed the *light* entry mode of a digital platform business, which is an emerging theme to be further recognized.

Likewise to Venuu, Weecos and Bonusway have both adjusted their internationalization strategies. As presented in the theoretical background a platform business might gain

extensive benefits if entering a foreign market with a partner or participating in an alliance (Stallkamp & Schotter, 2018). None of the companies have directly formed alliances, yet Bonusway has continued to **internationalize by acquiring other international companies**. This way the company has been able to overcome the issue of forming the user network from zero and additionally, making sure that the competition in the market stays on a low level. It can be noted that Bonusway thus **utilized their business network to access an already operating user network in a new international market** which is an interesting finding. On the other hand, Weecos has switched their strategy to fairly similar as Venuu and will continue to first run test-marketing in potential markets and after this decide which markets they should fully enter. However, Weecos emphasized that **for their platforms growth their business networks are highly important** and will affect the decision of which countries the company will enter next.

Another aspect which was acknowledged from the case studies and support the existing research from the theoretical background was the significance of timing and thus, **being able to position as a leading platform in a certain platform industry** (Ailisto et al, 2016; Tura et al., 2018). Often, the platform business model performs in a **winner-takes-all pattern** and thus, it was underlined by all case companies that if there would have already been high competition in their industries and existing platforms available, they would have not started their platforms. Additionally, this is the reason all companies discussed about the **importance of market research** and how to ensure there will not be excessive competition.

Country-specific regulations and privacy concerns in the internationalization phase of a platform business were topics which were presented in the theoretical background by Just (2018) and discussed with the case companies. It was observed that these aspects have not been issues for the case companies, although **Weecos had faced difficulties with their payment provider**. Weecos faced the situation that their payment provider **could not distribute the revenue for companies outside Finland** which caused several issues for the platform. This was a rather huge setback for Weecos in the beginning and

thus, it can be underlined that operating a platform may bring unexpected issues for a company which will affect on how the company may grow in the beginning of the operation.

5.2 Networks in the Internationalization

As presented in the previous sections, it occurred from the cases that **networks have had a significant influence in the internationalization of the case companies** as the theoretical background suggested. In addition, there is a **clear correlation between business networks and the formation of the user networks**. Thus, this is a finding which supports and provides response to the research question this study sought to answer. However, it was noted from the cases that although the author clearly saw that the interviewees understood networks in a similar way, many interviewees pondered the matter that what networks really mean for their company. The author analyzes that since networks may be thought of as being complex it might be hard for an individual to always understand the bigger picture and the potential effect of a network for a business.

When analyzing the findings in respect to the previous literature from the theoretical background it can be acknowledged that all interviewees understood and discussed about networks in a similar way. Although the networks all case companies are involved with seem complex for the individuals, they **all have the similar traits regarding the relationships within the network**. The ARA-model which was presented in the theoretical background aims to understand the relationships between the actors, resources and activities in the network and after analyzing the findings, the author sees a correlation between the theory and the findings (Håkansson & Johanson, 1992; Håkansson & Snehota, 1995). When discussing about business networks with the interviewees, all discussed about the networks in a sense that there are the actors (e.g. the individual persons, companies or partners), the resources (e.g. knowledge about a culture or financing), and the activities (e.g. access to key partners or operating a local office, forming a user network). Therefore, although a business may be involved in multiple networks at the same time

and it may be perceived as complex matter, it may be analyzed from the cases that **the way business networks function is relatively similar.**

All case companies showed that **business networks, which occur in the physical space, have aided the companies in building the user network, which occurs in the digital space**, both in the international markets and in the home market. All cases showed that business networks have connected the companies to actors and resources which have eventually led to the creation of the user network. Weecos was able to acquire the first users to their platform from their connections from the design network, therefore networks in the physical space aided the formation of the network in the digital space. Bonusway utilized their business networks in physical space, as they acquired competitors' companies and thus gained access to these companies' existing user networks in digital space. Venuu on the other hand was able to first build international business networks in physical space which have then led to connections with local venue providers which have then joined the user network which occurs in the digital space. In addition, it may be acknowledged that the highly noted investor relationships possess the same physical – digital space effect. As investor relationships occur in physical space, they enable the growth of the company and naturally, with the given financial aid, effect on the possibilities the company has in building the user network which occurs in digital space.

Previous research presented by Islind (2018) underlined that digital platforms are easily available, do not require physical presence and thus, are additionally easily scalable. However, the findings of this study abolish this statement, as **all case companies stated that physical presence and interaction is needed even if the business is purely digital.** All case companies explained that physical presence is needed to form long-lasting, trustworthy relationships and to acknowledge the obstacles which need to be figured out when entering a new market. Moreover, all case companies underlined the importance to preferably open a local office in each new market or at least ensure the international markets and local connections are visited often to ensure the nurturing of the relationships and maintain an understanding of the market's operations.

All case companies discussed about the time and effort which needs to be allocated when building and nurturing new relationships and business networks. All case companies emphasized that especially building and maintaining relationships with investors is utterly time-consuming, but mandatory for small businesses. Gathering financing is a continuous process and usually at least one person from the company is fully focused on building relationships and networks with investors. Especially case Venuu showed that it may take even multiple years to get an investor to become interested and convinced that it would be a good decision to invest in this certain platform. As likewise presented in the theoretical background **trust, commitment and co-operation could have not been emphasized enough** among the interviewees (Carson, Gilmore, & Rocks, 2004).

Trust issues can be present in all kinds of networks and, as presented in the theoretical background, are the main barriers to a successful collaboration (Panaihfir, Heavey & Byrne, 2015). This was underlined especially by Weecos as the interviewees explained that they have trusted the wrong people and had unpleasant consequences from this. Additionally, Venuu emphasized **the need of finding trustworthy people** to work for them when they open a local office. This matter was underlined in the theoretical background by Håkansson and Ford (2002) as the distance between the home country and host country makes the operation more difficult and therefore, in the host country there must be connections that can be trusted to take care of the region. Thus, it is important the founders can guarantee that employees in the host country will represent their company in a proper way. Additionally, the local employees are the key actors to ensure the company's growth, new possibilities and network creation in the host market.

Findings from the case companies provided support for theory presented by Johansson et al. (1988), who emphasize that **domestic connections often function as bridges to other, foreign networks**. This was seen in the case Weecos, as they have been able to build a solid business network in Finland mostly among the design industry, which then has led to possibilities with new partners outside Finland. Additionally, Bonusway had

also experienced the situation where their domestic connections from the past had helped Bonusway's operations in the internationalization phase. These phenomena additionally support the theory that a need for a particular network might not be relevant in the present moment, but established for the sake of future advantage (Håkansson & Snehota, 1995).

It was underlined by all case companies that there are **certain resources the companies feel they have been lacking when expanding to international markets** which supports the existing theory presented by Brouthers et al. (2016). The topics which stood out from the cases were access to funding, the level of understanding of the new market and the culture, understanding of how to build a global platform, and how to spot the right business networks to help the progress of the platform. However, as presented, the versatile business networks the companies have built have enabled the companies to access some of the lacking resources which supports the previous literature conducted on the subject.

5.3 Creating a Network of Users

Both the case studies and the theoretical background showed that the **user network is the most valuable asset** for a platform firm. Brouthers et al. (2016) suggested this assessment and it was underlined by all case companies. Therefore, since the user network is the most valuable asset for a digital platform, it was also acknowledged that the user acquisition was usually one of the biggest challenges for the case companies which was also emphasized in the theoretical background by Hänninen et al. (2018). All case companies had faced the chicken and egg problem to some extent which has been addressed by various researchers in previous studies (Evans, 2003; Stallkamp & Schotter 2019; Cailaud & Jullien, 2003). However, all companies agreed that in the beginning of acquiring the user network the focus should only be on one user group at first which is an emerging finding. In addition, Bonusway stated that they had overcome the chicken and egg problem by utilizing affiliate networks who already had the connections with the merchants they needed for the functioning of their platform.

A new perspective which was acknowledged from the case studies is that the **supply side of the platform is the user group which should be acquired first**. After this, the demand side will be easier to attract to join the platform. When starting to create the user network, all case companies agreed that the **threshold for the supply side** (e.g. brands, companies, merchants) **should be as low as possible** in the beginning and a *no risk* model should be offered for them. The *no-risk* model means that at first there is no costs or risks involved for the user on the supply side which makes the barrier to join lower. This way it will be easier to persuade the users to join the platform when there is not yet any numbers to present about the success of the platform's business operations.

The phenomena of network externalities presented by Katz and Shapiro (1985) was discussed with the case companies. The effect of network externalities in internationalization of a platform business gives the business the opportunity to utilize the existing user network when entering a new market. However, since all the case companies' businesses are mainly local, they have not been able to utilize this phenomenon. Only Bonusway categorizes their selves as a hybrid platform, which refers that they are partly local and partly global. This means that when entering a new market, they are not able to utilize the existing end-user network, however, some of their merchants (e.g. booking.com) operate globally and thus, they are able to utilize the same deal in new markets.

All case companies acknowledged that it **would make the international operation easier if the existing user network could be utilized** but noted that there are **other possibilities in how the existing users can act as an advantage in the internationalization process** which was an emerging theme found from the cases. Both Weecos and Venuu explained that it has helped them to acquire users from new markets to the platform as they have been able to show that the platform already works in the Finnish market, present numbers of the successful operations and bring credibility for the platform. Additionally, the interviewees from Bonusway and Venuu both mentioned that in their opinion the reason why Airbnb has grown to be so successful is related to the fact that their business model

allows them to utilize the existing user network globally. Therefore, this aspect of network externalities is something a platform firm should think thoroughly before hand, since it affects the business extensively. If there are no network externalities the network creation needs to be proceeded in each market separately and the possible chicken and egg problem may be present in each new market entry.

The findings showed that in Weecos' case the **business networks and user networks are considerably linked together as a business relation might have two roles**. It was addressed that a business relation may help the business in the international growth by providing resources the company is lacking, yet the business relation may additionally become a supply-side user of the platform. This phenomenon was shown in the Weecos case as the designers Weecos knew from previous time had introduced the founders to new business partners and, also become part of the supply-side users of the platform. This finding is an emerging theme the author suggests being taken into further recognition in future research.

5.4 Model development

To conclude the discussion, the author will next develop a model, which has been formed based on the emerging findings from the case studies (see Figure 2). The findings stay in line with Monaghan et al. (2020) and show that business networks, occur in the physical space and aid in the formation of the user network, which occurs in the digital space. Furthermore, the emerging findings show that there are several relationships in between these two spaces, and which need to be recognized when discussing networks in the internationalization of a digital platform SME. Therefore, the author proposes that these two types of networks (business and user) are thought of as layers (physical and digital), which are connected by three important links.

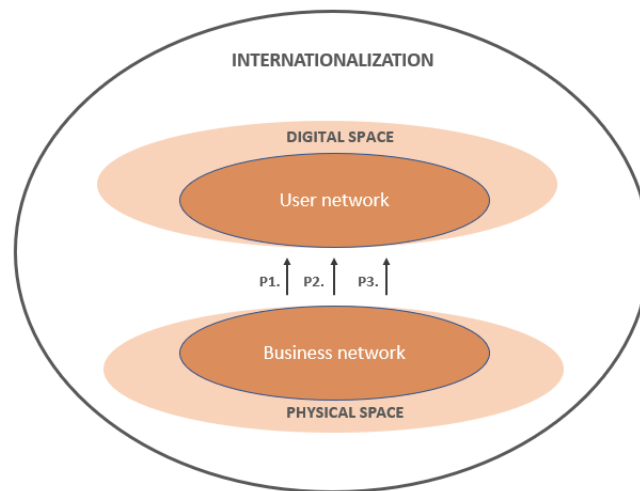


Figure 2. Connection between business and user networks of internationalizing digital platform SMEs

First, the findings suggest that *physical presence* in a foreign market is crucial for digital platform firms, meaning that they can suffer from different network liabilities (Brouthers et al., 2016). Although digital platform SMEs may be operating in a purely digital setting, still physical presence is needed to create meaningful and reliable business networks especially at the stage of the initial entry, which then aid in the formation of the user network when internationalizing. Physical presence is needed in the market being entered to or at least continuous visits to the new market is required. In addition, building long-lasting business networks in the home market is highly relevant even for a purely digital firm and it must be noted that it takes effort and time to build and nurture these relations. Therefore, in order to create a successful digital business, there is physical presence needed. Based on this discussion, this thesis develops the following proposition:

P1: Digital platform firms having physical presence in the foreign market are likely to develop reliable user networks.

Second, the findings also emphasize the importance of *trust and commitment*; which naturally stems from the previous proposition. When internationalizing a digital platform, building trustworthy and committed relationships is highly necessary and requires time

and effort from the actors, which corresponds with Johanson and Vahlne (2009). Even though a business is purely digital, and it might be thought to be rather instant and less time-consuming to build a successful digital business, this presumption is only partially correct. Even for a digital business it is necessary to aim at building long-lasting and trustworthy business relationships to ensure the success of the digital businesses' operation. Hence, the next proposition can be derived:

P2: Digital platform firms having trustworthy business relations in the foreign market are likely to develop reliable user networks.

Third, network diversity turns out to be another important aspect that links business and user networks of digital platform firms. The author's findings demonstrate that, for example, diverse relationships with various actors such as investors, marketing partners, former colleagues and even family members built in the past all effect the formation of user networks of the studied firms. As Blackenburg and Johansson (1992) presented, a business should maintain multiple networks simultaneously and there is a role for all different business networks in the process. Thus, it must be acknowledged that all these are needed to successfully proceed from the physical layer to the digital one. Thus, the diversity of business networks needed in the transition must be perceived. This discussion allows for suggesting the last proposition:

P3: Digital platform firms having diverse business relations in the foreign market are likely to develop reliable user networks.

6 CONCLUSIONS, LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

In this section, the author will conclude the results from this research, present recommendations for future research and underline the limitations for this research.

The aim of this research was to study networks in the internationalization of digital platform SMEs by conducting three case studies of digital platform SMEs and analyzing them in respect to previous literature. The importance of various aspects relating to networks which affect the international operation of these SMEs was researched and analyzed. The aim of this research was to provide insight for other digital platform SMEs which are aiming to internationalize in the future. Additionally, the aim was to answer the research question *“how do business networks enable digital platform SMEs to internationalize their business and create a user network when internationalizing?”*.

This thesis provides several important contributions. *First*, the findings support the network approach in internationalization research by providing findings concerning how business networks aid in the internationalization of a digital platform business (Johanson & Mattsson, 1988). Additionally, this study supports the view that SMEs rely on business networks to gain access to needed resources when internationalizing (Coviello & Munro, 1997). The findings present that user network creation is undeniably the most important matter for a digital platform and therefore, the business networks aid in the creation of the user network. Furthermore, this work contributes to existing international business research by providing a model connecting two spatial dimensions, in which digital platform firms operate in, namely (physical place and digital space) (Monaghan et al., 2020); this thesis opens up the interaction between these two dimensions through the networks (business and user). As a result, this work offers the model and three propositions about how this interaction occurs.

Second, this study contributes to the emerging stream in international business that looks specifically at the internationalization pathways of digital platform firms (Brouthers et al., 2016; Stallkamp & Schotter, 2018). In previous research considering business networks in the internationalization of SMEs, the companies have usually been operating with traditional business models and have struggled with phenomena's such as distribution, manufacturing and retail (Brouthers et al., 2016). However, digital platform businesses do not phase these clashes. This study focused on the user network creation, which is the most valuable matter for a digital platform, yet the matter digital platforms usually phase most challenges with. Therefore, this study offers insights, which have not been presented before by researching digital platform SMEs, which is yet an emerging business model. The results of this thesis may be utilized in understanding the internationalization of a digital platform and providing aid in acknowledging the journey of how to create a successfully operating digital platform business in an international context. Additionally, this study provides knowledge of the lessons learned by the case companies and what obstacles a digital platform may phase in the internationalization of the business.

Given the outlined contributions, this study shows the potential directions for further researched. This thesis focuses solely on the one-way relationship between business and user network of internationalizing digital platform firms, which can be regarded as a limitation. However, assuming the interaction between these networks can naturally occur also in the opposite direction, the effect of user network (in digital space) on business network (in physical place) also must be examined. For example, scholars can explore if and how relations in user network influence interpersonal relations in business networks. It can be studied whether digital trust (occurring in online space) (Monaghan et al., 2020) can affect trust in actual business relations (occurring in physical space). Also, researchers can address whether diversity is a relevant characteristic for user networks and whether it affects diversity in business networks. Moreover, the findings provide some evidence (although not significant enough to make strong conclusions) about changes in the business models of a digital platform SME along their internationalization;

hence, future research can address this aspect more thoroughly. This will require a process-based approach and longitudinal data.

As every study has limitations, this one does not differ. First, this study aims to only focus on the network approach in the internationalization of a digital platform SME and does not further take into consideration other aspects which might impact on the occurrence. The author does not deny that there may be various aspects which have an impact on the internationalization of a digital platform SME and acknowledges that other matters not relating to networks may impact the development of the international operations.

Secondly, this study is a case study which researched only three companies and thus, the results may not be generalized to a larger population. Additionally, since the case companies represented three digital platform industries the findings may not be contrasted to meet the operation of all digital platform SMEs. Moreover, since the study is a case study, it must be remembered that the interviewees might understand questions differently and might also embellish the truth especially in sensitive matters. Lastly, this study has geographical limitations since the study focuses on researching digital platform SMEs found in Finland and thus, the results might not be applicable to be generalized to other countries.

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APPENDIXES

Appendix 1. Semi-Structured Interview Guide

Semi-Structured Interview Guide	
Part I	Introduction (1-2 min)
Introducing the subject of the interview briefly to the interviewee	
Part II	Background (5-10 min)
<ol style="list-style-type: none"> 1. Background of the company 2. Interviewees work background, history in the company and current position 3. Internationalization stage of the firm 4. Why has the firm chosen to internationalize to these specific markets? 	
Part III	Creating a Network of Users (5 min)
<ol style="list-style-type: none"> 1. How the firm has created network of users in the home market before internationalization? 2. Has the firm faced the <i>chicken and egg</i> - problem in the home market? 	
Part IIII	Internationalization of a Platform Business (5 min)
<ol style="list-style-type: none"> 1. Was the firm able to utilize the existing user network in the international expansion? 2. What resources did the firm lack when planning the internationalization to a new market? 	
Part V	Business Networks in the Internationalization (10-15 min)
<ol style="list-style-type: none"> 1. How has the firm initially started to form international relations? Has it been intentional or accidental? 2. What was the role of business networks in the internationalization of the firm? 3. Has the firm faced challenges in gathering the right kind of business networks which have then benefitted the firm? 4. Have the business networks enabled the firm to gain access to the needed resources? 	
Part VI	Ending the Interview

Appendix 2. Main Results from Case Studies

	Bonusway	Weecos	Venuu
Established	2011	2013	2013
Platform Industry	Cashback service	Sustainable marketplace	Venue providing
Number of Employees	40	5	15
Countries of Operation	Finland, Sweden, Norway, Russia, China, Romania, Poland, Estonia, Hungary, Belarus, Kazakhstan,	Finland, United States, Sweden, UK and Germany	Finland, Sweden, Denmark, Poland, Estonia, Germany, Spain, Italy and the UK
Length of Interviews	25 min to 1h 15min	24 min to 1h 30min	55min to 1h 10 min
Creating a Network of Users	<ul style="list-style-type: none"> -utilized existing e-mail lists from previous work history -writing to online forums which discussed online shopping -working with influencers -performance based marketing -affiliate marketing networks -no cost-model for merchants, thus no radical chicken and egg problem 	<ul style="list-style-type: none"> -acted as Papu clothing brands webshop at the beginning and thus gain recognition -able to recruit brands and designers along whom they knew from the past -offered a no fee-model for the brands, which made it easier to recruit brands along -the founders attended design fairs and built new networks this way -Papu's customer base started to grow the user network on the platform -challenges to get a big mass of users to the platform -Weecos brand building was not in focus, which led to challenges later on 	<ul style="list-style-type: none"> -focused on venue providers when establishing the business and started cold-calling them asking to join the platform -challenges in finding a suitable revenue model at first -acknowledged that should have offered a no fee-model for the venue providers at first -search engine optimization,digital marketing and PR performed to reach the end-users -first faced the chicken and egg problem, but after changing business model from fixed fee to commission based, the problem decreased -however, underlined that the chicken and egg problem still exists, even if Finland when trying to expand to new cities -have also tested to list venue providers themselves on the platform without first asking the providers the permission
Internationalization of a Platform Business	<ul style="list-style-type: none"> -previous connections led them to enter Russia as the first market -marketing analysis for all potential markets before actual entry -now the strategy for internationalization is mostly to acquire competitors from Europe -all local teams, except Russia, located in Finland to -acknowledged that having local presence would be good, but calculated that the costs would be too high versus the benefit -same operation strategy for all markets, adjusted if needed due to cultural differences -easily scalable and standardized business model 	<ul style="list-style-type: none"> -right from the start the vision to become international: otherwise would have not created a platform -a narrow niche as the target group, thus important to seek for the audience outside Finland -platform ran into various issues regarding internationalization: biggest issues regarding payments and had to disqualify international brands -at the beginning no clear strategy for internationalization, platform started to grow organically to few markets -decided to enter Sweden properly, since had connection there but turned out to be a hard market -Sweden would have required more funding which led to challenges in entering the market -lack of money and investors have been a challenge in the international expansion -challenges also with pricing models: commission based model utilized, but difficulties to set a standard percentage for all markets 	<ul style="list-style-type: none"> -expanded to Sweden since there was no competition, knew the language and thought that the culture would be similar with the Finnish one -did a mistake of changing the revenue model prior to entering Sweden which brought challenges since the model was not tested before -faced challenges with the conversion rate in Sweden: might relate to cultural differences -fundamentals of the business model stayed the -see that local presence is necessary to understand the market and the differences to Finland, and build good relationships with local partners -after learning from case Sweden, has a new strategy for internationalization: first market research, then test marketing to see which markets would be potential
Networks in the Internationalization	<ul style="list-style-type: none"> -involved in various different networks -aim to build strong and long-lasting relationships with all partners -were able to utilize existing business networks when entering the first international market -the platform is a hybrid: partly local, partly global -not able to utilize the current end-user network in the internationalization, but some merchants which operate internationally -investor relationships very important and time-consuming for the business -affiliate marketing networks an highly important network for the company -acquisition strategy requires effort to scout the potential company's and build networks to access them 	<ul style="list-style-type: none"> -both intentionally and accidentally formed international business networks -decided to enter Sweden, because had previous connections there -acknowledge that business networks are highly important for their operations and actively aim to grow them -have faced trust issues when building relationships -understands that need resources and connections in a new market if trying to enter one -have been able to utilize existing brand network in international operations to some extent, but effects are very small scale -have been able to utilize the existing network as numerical proof about the platforms operations and bring credibility to the platform 	<ul style="list-style-type: none"> -the role of business networks become important when fully entering a new market and starting a local office -involved in many different business networks, but mostly related with partners in new markets, start-up networks and finding key employees and investor relations -very time-consuming to maintain good relationships with investors -need trustworthy employees to run a local office and take care of the networks in that market -start-up networks may help to find suitable employees -since business is very local, has not been able to utilize the existing user network in the expansion, however, it may be utilized as proof of presenting that they have a functioning platform built and bring credibility as they can show the numbers from other markets